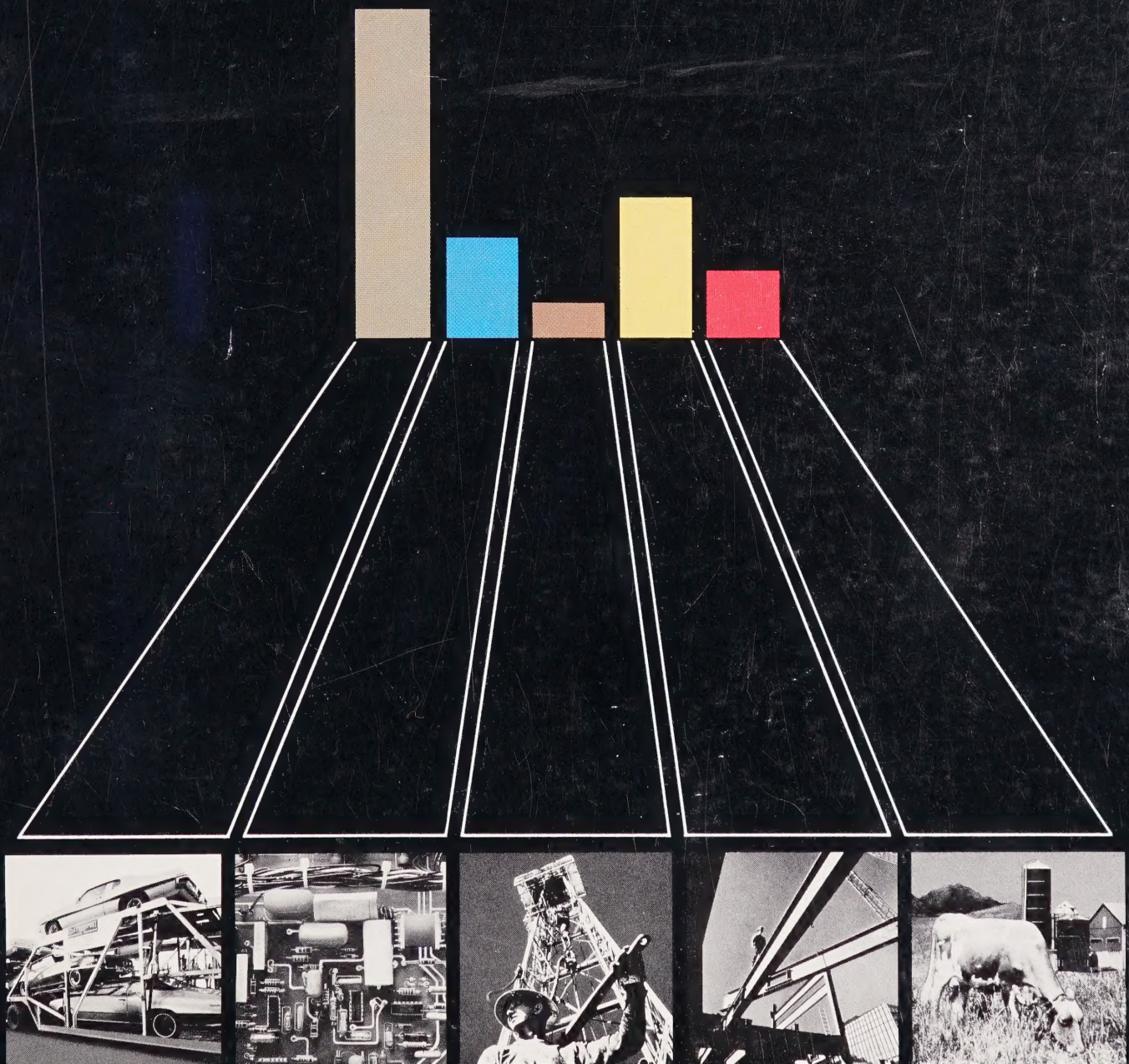


A.O. Smith Corporation
Annual Report/1971



HIGHLIGHTS OF 1971

January 31 The Ionia, Mich., Plastic Products division of A. O. Smith-Inland Inc., was sold to General Tire & Rubber Company of Akron, Ohio.

March 9 Clark Control announced plans for a major plant modification to accommodate production of its new SuperCenter and an expanded line of Pulsar™ adjustable speed drives.

March 23 Construction was begun to expand the Automotive division's production facilities in Milwaukee, Wis.

April 6 A. O. Smith was named winner of the National Safety Council Award of Honor for 1970.

May 31 A. O. Smith-Inland completed a major pollution abatement program at its Powder Metallurgy plant in Milwaukee, Wis.

July 15 The company's Automotive division produced its 80 millionth passenger car frame.

August 9 Construction plans were unveiled for one of Wisconsin's largest computer facilities, to be built by the Data Systems division in New Berlin, Wis.

September 15 A new plant for water heater production was dedicated in Japan by Tada-Smith Company, Ltd., an A. O. Smith affiliate.

September 22 Armor Elevator Company, Inc., announced that it had acquired Goetz Elevator Company of Chicago, Ill., in a cash transaction.

October 3 Construction was completed at the Consumer Products division plant in Kankakee, Ill., increasing production capacity for both commercial and residential water heater units.

October 14 A. O. Smith was awarded a \$52,250 federal contract to train 50 disadvantaged workers at the company's training center in Milwaukee, Wis.

October 26 Layne & Bowler Pump Company, an A. O. Smith subsidiary, announced that the Raincat® portion of its business had been sold to Irrigation Power and Equipment, Inc., of Greeley, Colo.

November 15 The company's Meter Systems division announced its intention to purchase a 61,000 sq. ft. plant in Ellerbek, near Hamburg, West Germany, for the manufacture of meter products by its subsidiary, A. O. Smith Meter Systems GmbH.

December 15 Armor Elevator announced that it had entered into an agreement with Orenstein & Koppel A. G., of West Germany, to become that company's licensee for escalators in the U.S. and Canada.

December 31 The company had record sales of \$456,846,000, with earnings of \$12,808,000, or \$5.23 per share, before an extraordinary loss of \$1,760,000, or \$.72 per share.



A.O. Smith Corporation Annual Report/1971

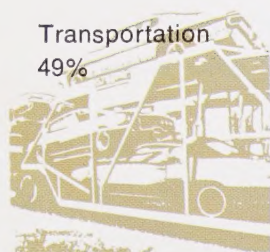
THE YEAR IN BRIEF

1970	1971	CHANGE	
\$413,097,543	\$456,845,662	+11%	Sales
\$ 7,287,004	\$ 12,808,226	+76%	Earnings (Before Extraordinary Items) (1)
\$2.95	\$5.23		Per Share
1.8%	2.8%		As % of Sales
5.1%	8.5%		As % of Stockholders' Equity
\$ 9,433,004	\$ 11,048,226		Net Earnings (After Extraordinary Items)
\$3.82	\$4.51		Per Share
\$1.40	\$1.40		Dividends Per Share

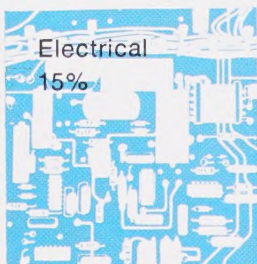
(1) Excludes extraordinary net gain of \$2,146,000 or \$.87 per share in 1970 and an extraordinary net loss of \$1,760,000 or \$.72 per share in 1971 relating to business dispositions.

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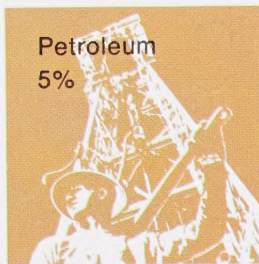
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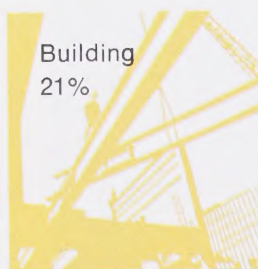
Transportation
49%



Electrical
15%



Petroleum
5%



Building
21%



Agriculture
10%



L. B. Smith



U. T. Kuechle

Letter to Shareholders

In prior years, it has been our normal practice to report to you in this annual message information which we hoped would give you some insight into why our company and its operating units performed the way they did during the preceding year. Somehow this approach seems inadequate in light of recent national economic events. So we propose to leave this kind of information for the financial and operating review sections of this report and to examine for you the status of our company, as we view it, in relation to today's business picture.

Inflation, unemployment, controls, revaluation of the dollar—these events have been transpiring in recent times with an unprecedented rapidity which would have been inconceivable just a few years ago.

In 1970, a recession year, we were seriously affected by the General Motors strike and our profitability suffered severely. In 1971, the projected economic recovery was slower than expected, and in August came the imposition of controls and the direct attack on the forces that had brought severe pressure on the dollar in the international financial arena.

This fast moving scenario of economic events generated a business climate unlike anything we had heretofore experienced. Viewing the year in retrospect, then, we cannot but feel some small degree of satisfaction in the company's accomplishments. Our 1971 performance comes because A. O. Smith today is much more broadly diversified than just a few years ago. And that diversification, deliberately achieved over a period

of years, has reduced our dependence on one or two major product lines and has made us a sounder company.

We realize, of course, that the automotive parts business, constituting nearly one half of our sales, still strongly influences our performance. We believe, however, that our continued participation in this market is desirable because through the years this business, on average, has proven a solid profit generator and has provided a beneficial cash flow. So we are determined to keep this arm of our business strong and also alert to new ways to serve our automobile and truck customers.

Other areas of the business have undergone significant change. We have divested ourselves of some operations which did not hold promise of meeting our profit objectives. The released capital was redirected to areas promising greater growth and returns for our stockholders. Also, we have acquired interests in a number of new product and market areas which we believe have added a new dimension to the company.

As we move into 1972, foremost among the problems facing business are those stemming from the efforts to moderate the rate of inflation and to reduce unemployment. Unquestionably, the growing intrusion of government into the affairs of industry will continue. Our corporate planning reflects our awareness of the numerous issues we face, such as wage and price controls, pollution, safety, social justice and the quality of life. These issues must be integrated at the operating level into

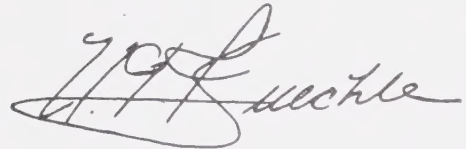
meaningful programs to allow for the growth of our company and the improvement of our society.

As we assess the company's position today, we are in a number of markets with good growth potential. Our products are recognized as being of high quality, and we occupy a position of leadership in most areas in which we're engaged. Our organization is skilled and aggressive.

Overall, we believe we have made good progress in restructuring A. O. Smith to meet our objective of increasing sales and profits on a more regular and stable basis.



Chairman and Chief Executive Officer



President



A. O. Smith's Automotive division greatly improved frame production efficiency with the construction of a large new press shop. All intermediate size passenger car frame manufacturing will be consolidated in this new building.

Operations Review

The year 1971 will surely be recorded as one of the most significant in economic history. Not only did the President of the United States impose the first set of price and wage controls in recent peacetime history, but the dollar was devalued and the U.S. suffered its first trade deficit since 1893.

This turbulence, coupled with a slower than expected economic recovery, adversely affected some A. O. Smith operating units, while others, less sensitive to economic fluctuations, were unaffected. Overall, A. O. Smith was able to absorb many of these unforeseen circumstances and turn in a reasonably good performance.

Sales were a record \$456,846,000, while profits were \$12,808,000, or \$5.23 per share, before an extraordinary loss of \$1,760,000, or \$.72 per share, resulting from the sale of Layne & Bowler Pump Co.

TRANSPORTATION

A. O. Smith's Automotive division marked several important milestones during 1971—the production of its 80 millionth passenger car frame, the highest level of truck frame sales in the division's history, the expansion of its intermediate size passenger car frame manufacturing facilities and the introduction in pilot production of a promising new welding technique.

Expansion of the Milwaukee, Wis., plant will increase the division's manufacturing efficiency by consolidating intermediate size frame production into one building, resulting in reduced labor and production costs. When completed, this new frame production building will house 19 new presses plus an additional 21 presses which are being transferred from another press shop. The building is being constructed to keep noise levels to a minimum by use of spring mounted presses, sound absorbent blocks for the walls and specially structured floors of pecan block.

A five axis seam tracking welding machine was put into operation on a pilot basis in the Automotive division's Milwaukee plant. Because it can automatically weld nearly any frame configuration, this innovation represents an important advancement for A. O. Smith in its potential to reduce costs during major model changeover. It will be some time, however, before the value of the five axis tracker can be proven.

In Texas, A. O. Smith's affiliate, A. O. Smith Corporation Of Texas, which makes line pipe, was able to significantly improve its performance in 1971 compared with 1970, although the affiliate is still operating at a loss. Recent changes in import policies to allow U.S. firms to compete more favorably in domestic markets may improve the outlook for A. O. Smith Corporation Of Texas.

ELECTRICAL

The Electric Motor division reported a decrease in sales and profits for 1971, the first such decline in ten years. Division sales were hurt by overbuilding in 1970 in the air conditioning industry, to which A. O. Smith is a major supplier of hermetic motors. This slowdown is believed to be temporary, with the air conditioning industry expected to return to normal production levels soon.

The division launched a successful cost reduction program at its Mt. Sterling, Ky., plant during the year and both the Mt. Sterling and the Tipp City, Ohio, plants made several process and equipment changes during the year to improve production efficiency.

Among the new products introduced by the division during 1971 were a dishwasher motor and a new motor for the refrigeration market. Late in the year, Kelvinator placed a large order for the new refrigerator motor.

The Clark Control division moved from a loss in 1970 to a modest profit in 1971. Clark introduced several important new products during the year, adding a new A. C. motor control center, called "The Clark SuperCenter," a new combination motor starter line and a smaller horsepower range of Pulsar adjustable speed drives. Some 60% of Clark's current products have been introduced within the last three years.

To manufacture the new SuperCenter, a 100,000 sq. ft. building at the division's Cleveland, Ohio, plant was renovated and other buildings were modified to effect a better flow of materials, reducing production costs and increasing labor efficiency.

Clark received several important contracts during the year, including its first installation of safety controls at a nuclear generating station. Clark's Pulsar static D. C. adjustable speed drives were installed in tire testing, rubber manufacturing, wire drawing, plastic extruding and automatic press feeding, among other applications.

PETROLEUM

While the Meter Systems division reported a drop in sales for 1971, the division did receive several important orders during the year, including a contract from the government of the U.S.S.R. for eight 16" positive displacement meters and accessories. The major reason for the decline in sales was a reduction in orders for service station equipment as a result of customer overbuilding in connection with the non-lead gasoline program of 1970. This decline was only partially offset by increases in other meter product sales. However, by the end of 1971, service station equipment orders had returned to a more normal level and the division was working on contracts for three large oil companies, the first time in its history that three major contracts for this product were in-house at the same time.

An oscillating piston meter, a CashCon service station fueling system and a new innovation in the service station market, a Card Club for dispensing fuel directly to the consumer from an unattended service station, were among the division's new products brought to market in 1971.

In Germany, A. O. Smith's subsidiary, A. O. Smith Meter Systems GmbH, expanded its production capacity with the purchase of a 61,000 sq. ft. building in Ellerbek, West Germany, a Hamburg suburb. Until now, meter products were manufactured in the U.S. and shipped to Germany for assembly and sale to the European market at a cost disadvantage relative to European manufacturers.

A. O. Smith-Inland Inc., a 50%-owned affiliate, earned a profit in 1971 compared with a loss in 1970. One major reason for this was the sale of the Specialty Products division, which had been suffering losses, to General Tire & Rubber Co. The Powder Metallurgy division of A. O. Smith-Inland, which markets primarily in the transportation area, experienced record volume and reduced the amount of its loss compared with 1970.

The Reinforced Plastics division of A. O. Smith-Inland expanded its line of Poly Thread® pipe, introduced in 1970, and also introduced a new line of sweep fittings for the chemical and industrial markets. Several new installations and new contracts helped the division set a sales record in 1971 and made a substantial profit contribution to the affiliate. Poly Thread pipe is used in chemical plants to transport substances of a high corrosive nature.

BUILDING

Armor Elevator reported the highest sales volume in its history in 1971. Although going-in costs associated with preparations to handle this rapid growth kept the subsidiary's profits from rising as much as they otherwise would have, profit growth substantially exceeded sales growth. Armor, which together with Armor Elevator Canada Limited is A. O. Smith's second largest business, purchased two elevator companies, Golden Gate Elevator Company of San Francisco, Calif., in late 1970, and Goetz Elevator Company of Chicago, Ill., in 1971, enabling Armor to provide greater service on its elevator installations in those areas of the country.

Armor's other geographical expansions were the addition of sales and service offices in Houston, Tex., Boston, Mass., and Philadelphia, Pa. During the year, Armor moved its corporate headquarters from New York to its new facilities in Louisville, Ky.

Further expansion of Armor capabilities was realized with the conclusion of an agreement between Armor and Orenstein & Koppel A. G. of West Germany for Armor to become that company's exclusive escalator licensee for the U.S. and Canadian market.

Sales in A. O. Smith's other operating unit serving the building industry, the Consumer Products division, reached a record in 1971. Expansion of the division continued with an addition to the Kankakee, Ill., plant, increasing commercial water heater production by 100 percent and residential unit capacity by 40 percent. In Japan, the division participated in the dedication of a new plant in Wadayama for A. O. Smith's affiliate, Tada-Smith Company, Ltd. The new 75,000 sq. ft. plant will produce residential water heaters for the Asian market.

Consumer Products also introduced several new products during the past year, including a new electric and two new gas swimming pool heaters. An electric residential water heater, the first on the market to meet the stringent new standards of the Edison Electric Institute, was also introduced in 1971.

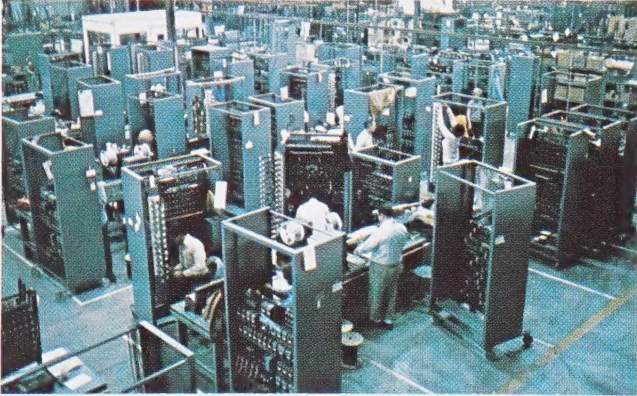
The Consumer Products division's newest product line, food waste disposers, which was introduced late in 1970, received good acceptance in the consumer market as the division completed its first year of marketing this new line.



Left—Assembly line includes 100% automatic test of electric motor components.



Right—Plastic pipe meets need for product purity and corrosion resistance at a California citrus fruit processing plant.



Increased production capacity at Louisville improves Armor's competitive ability in the elevator market.



A. O. Smith's complete line of residential and commercial water heater products is displayed at the company's Consumer Products division's showroom in Kankakee, Ill.

Over 60% of Clark's current products have been introduced in the last three years.



AGRICULTURE

A. O. Smith Harvestore Products, Inc., was another unit turning in record sales for the year. The agricultural trend to fewer, but larger and more productive farms, has strengthened the market for Harvestore® systems as more farmers mechanize and automate their farms.

The farm automation division of Harvestore also experienced a record year. This is the Advanced division, acquired over a year ago, whose business has almost doubled since its purchase in 1970. The division introduced many new products to save labor on the farm, the latest being the Super Shuttle Feeder which carries feed from the Harvestore to the cattle faster than has ever been possible.

Internationally, Harvestore's affiliate, Howard Harvestore Ltd., completed its first full year of operations with the close of its fiscal year June 30, 1971. Sales for the year totalled \$2.9 million, with an acceptable profit level.

AgriStor Credit Corporation, Harvestore's finance subsidiary, completed its most successful year in 1971, turning in record profits.

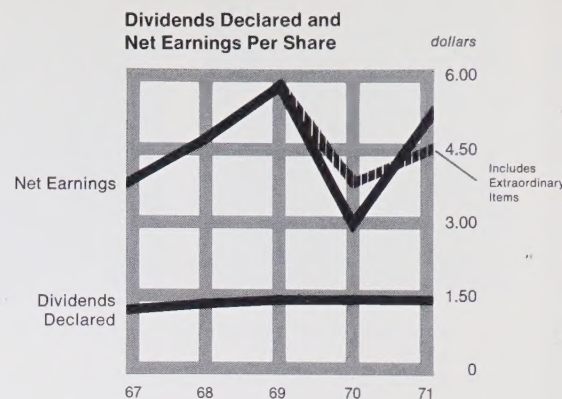
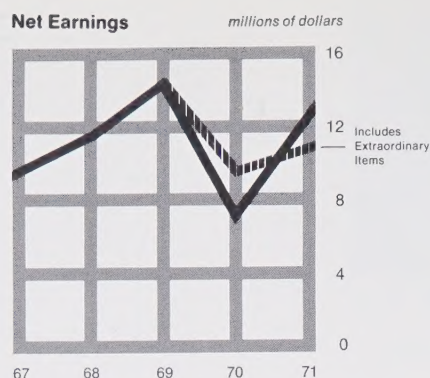
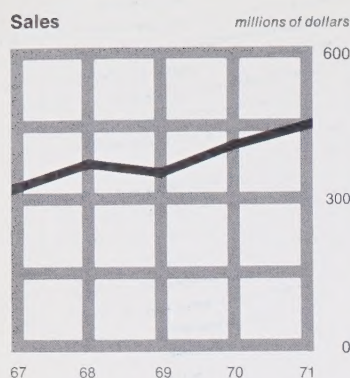
During 1971 the company made efforts to sell its Layne & Bowler subsidiary, acquired in 1969. On October 26, the Raincat product line was sold and effective January 1, 1972, the remaining portion of this company was acquired by General Signal Corporation. The profit potential the company originally saw in Layne & Bowler did not materialize.

EMPLOYEE RELATIONS

A. O. Smith employed an average of 16,030 persons during 1971. The company suffered short strikes during the year at its Meter Systems division plant in Erie, Pa., at Layne & Bowler in Los Angeles, Calif., and at Armor's plant in Louisville, Ky. On December 30, employees at A. O. Smith Corporation Of Texas in Houston, Tex., went out on strike, but they returned to work on January 24, 1972.

During 1971, A. O. Smith concluded new labor agreements at eight plants covering approximately 8,800 employees.

In 1972, contracts covering some 8,100 employees of the company, its subsidiaries or affiliates will be negotiated.



SALES AND EARNINGS BY LINE OF BUSINESS

(\$ Millions)

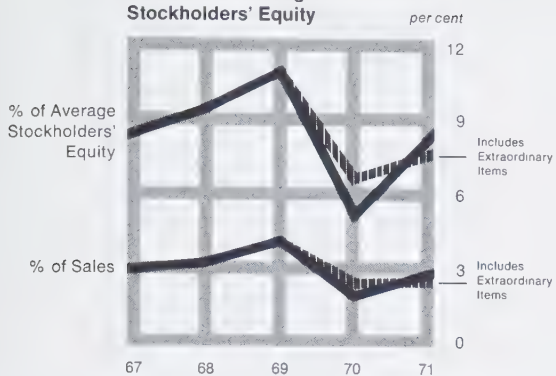
	Sales						Earnings					
	\$			%			\$			%		
	1971	1970	1969	1971	1970	1969	1971	1970	1969	1971	1970	1969
TRANSPORTATION (1)	239.6	180.7	205.6	49	41	54	19.0	3.9	19.9	53	16	55
Automobile and truck frames, automotive components, railroad equipment, line pipe.												
ELECTRICAL	71.6	82.4	70.2	15	19	19	4.1	6.5	5.5	11	26	15
Electric motors, electrical controls, drive systems.												
PETROLEUM (2)	24.0	51.2	41.6	5	12	11	1.6	4.8	3.3	5	20	9
Meter systems, valves, gasoline pumps, oil well casing, reinforced plastic pipe.												
BUILDING	99.4	77.8	31.3	21	18	8	6.5	5.3	4.2	18	22	12
Water heaters, heating equipment, passenger and freight elevators.												
AGRICULTURE	50.4	47.0	30.8	10	10	8	4.6	3.9	3.0	13	16	9
Livestock feed storage, handling and feeding systems, vertical turbine pumps, irrigation equipment.												
	485.0	439.1	379.5	100	100	100	35.8	24.4	35.9	100	100	100
MISCELLANEOUS & CORPORATE	(2.6)	(3.1)	(.7)				(11.5)	(8.8)	(5.6)			
	482.4	436.0	378.8				24.3	15.6	30.3			
EQUITY IN AFFILIATES INCLUDED ABOVE	25.6	22.9	24.3				.7	(2.3)	.2			
PER CONSOLIDATED STATEMENT	456.8	413.1	354.5				23.6	17.9	30.1			

NOTES: The proportionate equity in sales and pre-tax earnings of affiliated companies has been included. Businesses acquired during 1969 and 1970 are included from dates of acquisition. Information relative to the bomb casing business, formerly operated by an affiliated company, has been excluded. Earnings of \$35.8, \$24.4 and \$35.9 million are before income taxes, extraordinary items and unallocated corporate expense. Consolidated pre-tax earnings of \$23.6, \$17.9 and \$30.1 million exclude extraordinary items.

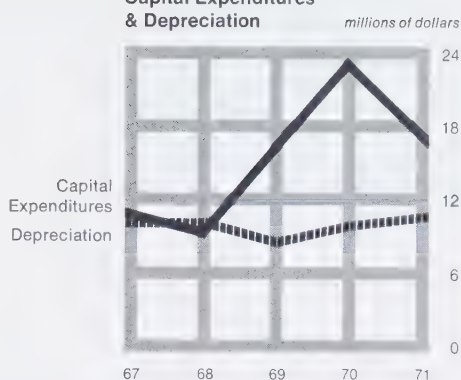
(1) 1970 results for the Automotive portion of the company's business were adversely affected by the UAW strike against General Motors, resulting in an abnormally low contribution to both sales and earnings.

(2) The oil well casing portion of the company's petroleum business was sold in 1970.

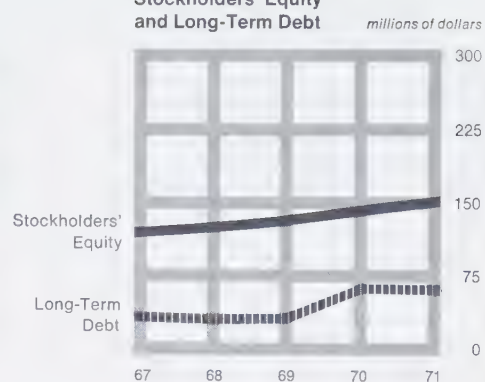
**Net Earnings as % of Sales
and as % of Average
Stockholders' Equity**



**Capital Expenditures
& Depreciation**



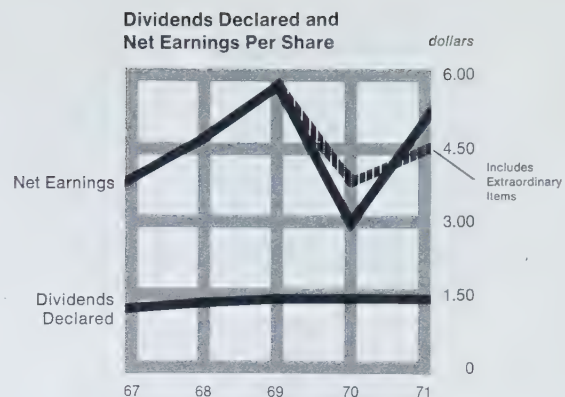
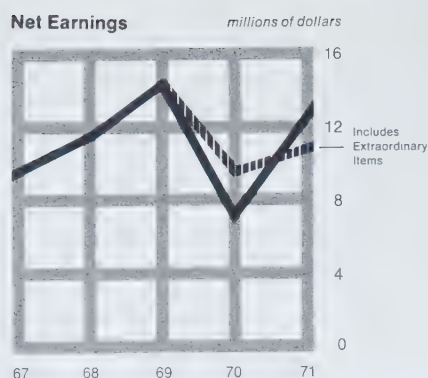
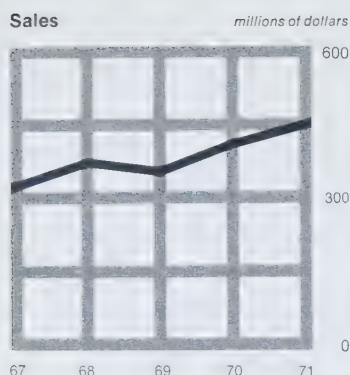
**Capitalization—
Stockholders' Equity
and Long-Term Debt**



Sales Earnings

TRANSPORTATION		
49%		53%
	\$239.6	\$19.0
ELECTRICAL		
15%		11%
	\$71.6	\$4.1
PETROLEUM		
5%		5%
	\$24.0	\$1.6
BUILDING		
21%		18%
	\$99.4	\$6.5
AGRICULTURE		
10%		13%
	\$50.4	\$4.6
	\$485.0	\$35.8

**Financial
Review
1971**



SALES

Sales of A. O. Smith Corporation and its consolidated subsidiaries reached a record \$456,846,000 in 1971, an increase of 10.6% over 1970 sales of \$413,098,000, the previous record year. Automotive division sales increased about 35% over 1970, when the United Auto Workers' union strike against General Motors Corporation materially affected volume. Important volume gains were also achieved by the company's elevator and Harvestore subsidiaries and by the Consumer Products division.

Volume declines occurred in the Electric Motor, Meter Systems and Clark Control divisions. The distribution of the company's sales by major divisions and subsidiaries for 1971, 1970 and 1969 is shown below:

	\$ IN MILLIONS		
	1971	1970	1969
Automotive (including Rail- road Products)	220	163	182
Armor Elevator Company, Inc. and Armor Elevator Canada Limited	59	43	-0-
Electric Motors (including Bull Motors Limited)	52	59	45
A. O. Smith Harvestore Products, Inc.	37	34	29
Consumer Products ...	40	34	31
Meter Systems	20	27	19
Electrical Controls (including Canadian Controllers Ltd.)	20	24	25

International sales in 1971 were \$41 million, or 9% of the company's consolidated sales. The company's operations located outside the United States produced \$33 million of these sales. The balance represented exports from U.S. plants. These sales do not include sales of affiliates located in foreign countries.

EARNINGS

Earnings for 1971, excluding an extraordinary loss, were \$12,808,000, or \$5.23 per share. Earnings for 1970, excluding a net extraordinary gain, were \$7,287,000 or \$2.95 per share. Measured by earnings per share before consideration of either extraordinary gains or losses, 1971 was the third best year in the company's history. The reinstated investment tax credit added \$0.19 per share to the company's 1971 results. Other consequences of the freeze and Phase II controls reduced company earnings. Some of the adverse effects of the government's programs were the inability of the water heating and Harvestore portions to increase prices. The Automotive division's results were adversely affected by the costs of the retroactivity feature of the Milwaukee, Wis., union settlement, as these costs cannot be recovered by price increases. On the other hand, material costs were favorably affected because undoubtedly many of A. O. Smith's suppliers' prices would have increased without the freeze. Also, A. O. Smith Corporation Of Texas, an affiliate, received a large line pipe order late in 1971 which, without the import tax and without the return of the investment tax credit, probably would not have been obtained. The net result was a reduction in earnings, the precise amount of which cannot be measured.

The provision for taxes was \$11,400,000, in 1971 and \$8,900,000 in 1970. The effective tax rates in 1971 and 1970 were 48% and 50% respectively.

An extraordinary loss of \$1,760,000 or \$0.72 per share resulted in 1971, from both the sale of Layne & Bowler Pump Company, a subsidiary, to the General Signal Corporation, and the sale earlier in the year of the irrigation system segment of Layne & Bowler's business. While the growth potential of the irrigation systems market, which originally led to A. O. Smith's acquisition of Layne & Bowler, is substantial, it appears that this potential can be more profitably realized by regional manufacturers. In 1970, a net extraordinary gain increased 1970 earnings by \$2,146,000 or \$0.87 per share.

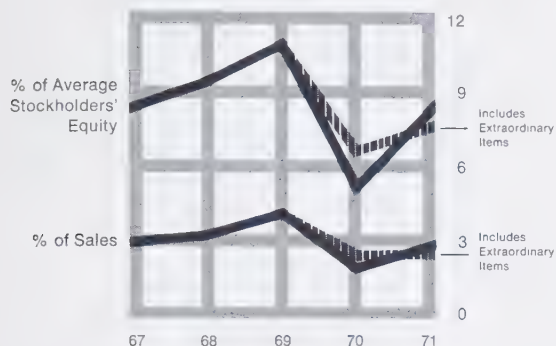
The earnings improvement in 1971 was primarily caused by:

- A substantial improvement by the Automotive division, which in 1970 suffered the impact of the United Auto Workers' union strike against General Motors Corporation.
- Improved profit performance by the elevator subsidiaries and A. O. Smith-Inland Inc., an affiliate company.
- A substantial reduction in the operating loss of A. O. Smith Corporation Of Texas, another affiliate company.
- Continuing strong profit performance by the Consumer Products division and A. O. Smith Harvestore Products, Inc., a subsidiary.

For the fourth quarter of 1971, before extraordinary items, the company earned \$3,952,000, or \$1.61 per share. For the same period of 1970, also before extraordinary items, a loss of \$800,000, or \$0.32 per share, was incurred.

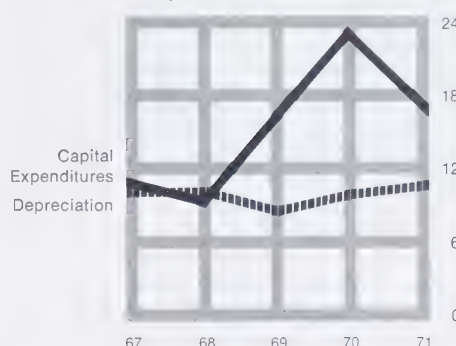
Net Earnings as % of Sales and as % of Average Stockholders' Equity

per cent



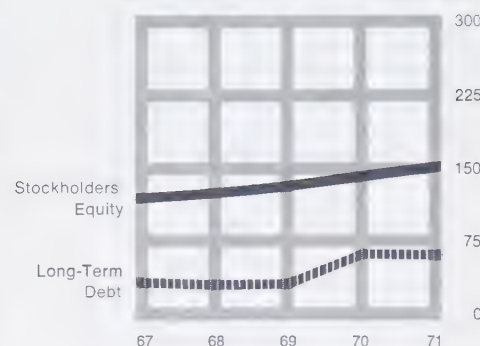
Capital Expenditures & Depreciation

millions of dollars



Capitalization—Stockholders' Equity and Long-Term Debt

millions of dollars



DIVIDENDS

Dividends paid on common stock amounted to \$3,431,000 in 1971 and \$3,457,000 in 1970. The dividend payment was \$1.40 per share in both years. Dividends have been paid every year since 1940.

WORKING CAPITAL

At December 31, 1971, working capital totaled \$99,132,000. At year end, 1970, working capital amounted to \$96,512,000. Current assets were 2.7 times current liabilities at December 31, 1971, compared with 2.6 times last year. A statement setting forth the changes in financial position for the years 1971 and 1970 is shown on page 13.

CAPITAL EXPENDITURES

During 1971, \$17,335,000 was invested in improvements and expansion of facilities. Capital expenditures amounted to \$23,267,000 in 1970. Significant expenditures were made in the Automotive division to develop increased truck frame capacity, to provide for model change requirements for passenger frames and for a major consolidation and modernization of the intermediate-size passenger frame production facilities. The Electric Motor, Armor Elevator, Clark Control and water heater segments of the company also required additional facilities to support anticipated growth, and, particularly in the case of Clark Control, new product introductions.

CASH FLOW

Cash flow, defined as the sum of net earnings and depreciation, amounted to \$21,840,000 or \$8.92 per share in 1971.

During the prior year, cash flow totaled \$19,284,000 or \$7.81 per share. The improvement in 1971 is primarily attributable to increased earnings. Depreciation in 1971 and 1970 was \$10,792,000 and \$9,851,000 respectively.

LONG-TERM DEBT

Total debt, due after one year, including lease purchase obligations, totaled \$61,480,000 at 12/31/71 compared to \$62,224,000 at 12/31/70. Long-term debt equaled 41% of stockholders' equity at 12/31/71 versus 44% at 12/31/70. A schedule of the company's long-term debt appears in note 3 to the financial statements on pages 16 and 17.

STOCKHOLDERS' EQUITY

Stockholders' equity in the company increased to \$150,143,000 at 12/31/71 from \$142,936,000 at 12/31/70. Earnings, excluding extraordinary items, equaled a return on average stockholders' equity of 8.5% in 1971, compared to 5.1% in 1970. As of 12/31/71 there were 2,519,479 shares of common stock outstanding, including 63,839 shares held as treasury shares. The company completed the program initiated in 1969 to acquire 100,000 shares of its common stock in the open market. These shares are available for use in connection with the company's employee stock option program, for acquisitions or other proper corporate uses which may arise, without diluting the proportionate interest of present shareholders. A total of 22,198 shares were purchased in 1971 at a cost of \$1,099,000. Treasury stock transactions (in shares) during the year were as follows:

Balance 12/31/70	66,019
Acquired	22,198
Issued for Stock Option Purposes	24,378
Balance 12/31/71	63,839

STOCK OPTIONS

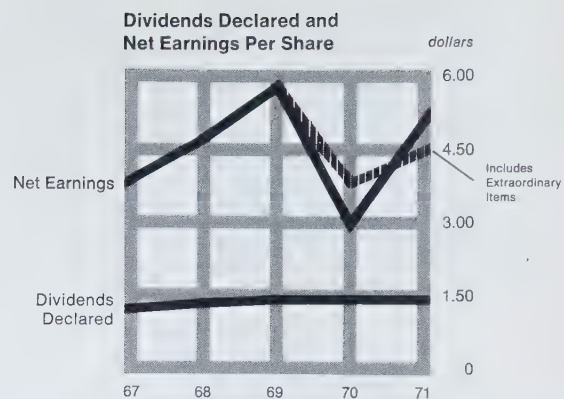
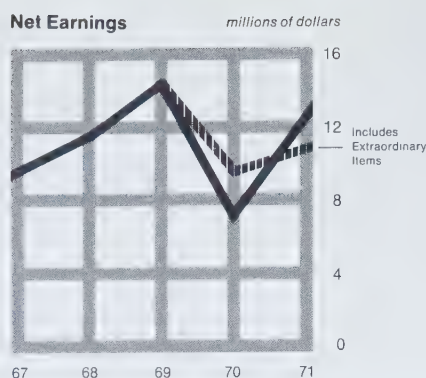
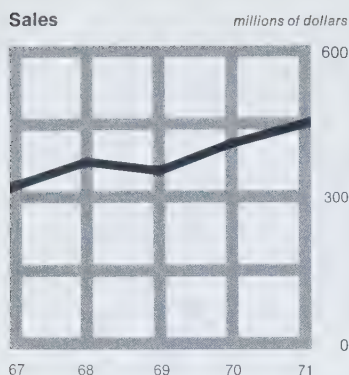
At year end, 155,013 shares of common stock (including 22,614 shares of treasury stock) were reserved for stock options under the company's 1962 Restricted Stock Option Plan, 1964 Qualified Stock Option Plan and 1970 Employees' Stock Option Plan.

Option transactions (in shares) during the year were as follows:

Options outstanding 12/31/70 ..	80,672
Granted	-0-
Exercised	24,378
Options outstanding 12/31/71..	56,294

In addition to the 56,294 options outstanding at December 31, 1971, there were non-qualified stock options totaling 47,050 shares outstanding at the end of the year. The non-qualified stock options were granted under the 1970 plan to employees holding an equivalent number of qualified stock options granted under the 1964 and 1970 plans. The optionee may exercise either the qualified or non-qualified stock option and the option not so exercised is then cancelled. The shares released by such cancelled options then become available for new option grants.

As of December 31, 1971, there were 54,569 shares available for additional grants, including 51,950 shares under the aforementioned 1970 plan. Further information regarding stock options is contained in note 4 to the financial statements on page 17.



A. O. SMITH CORPORATION

CONSOLIDATED
STATEMENTS
OF EARNINGS
AND RETAINED
EARNINGS

Years ended December 31, 1970 and 1971

	1970	1971
	\$413,097,543	\$456,845,662
	358,911,167	392,657,178
	34,375,607	36,767,912
	393,286,774	429,425,090
	19,810,769	27,420,572
	(4,224,122)	(5,672,414)
	2,337,701	1,867,182
	(1,886,421)	(3,805,232)
	17,924,348	23,615,340
	8,900,000	11,400,000
	9,024,348	12,215,340
	(1,737,344)	592,886
	7,287,004	12,808,226
	2,146,000	(1,760,000)
	\$ 9,433,004	\$ 11,048,226
	\$2.95	\$5.23
	.87	(.72)
	\$3.82	\$4.51
	\$101,197,733	\$107,174,231
	9,433,004	11,048,226
	110,630,737	118,222,457
	3,456,506	3,430,865
	\$107,174,231	\$114,791,592

EARNINGS

NET SALES

OPERATING COSTS AND EXPENSES:

Cost of goods sold

Selling, general and administrative

PROFIT FROM OPERATIONS

OTHER INCOME (deductions):

Interest expense

Miscellaneous—net

EARNINGS BEFORE INCOME TAXES

PROVISION FOR INCOME TAXES

(1971 after investment tax credits,
flow through method, of \$475,000)

EARNINGS BEFORE EQUITY IN EARNINGS
(LOSSES) OF UNCONSOLIDATED
AFFILIATES AND EXTRAORDINARY ITEMS

EQUITY IN EARNINGS (LOSSES) OF
UNCONSOLIDATED AFFILIATES—NET

EARNINGS BEFORE EXTRAORDINARY ITEMS

EXTRAORDINARY ITEMS, net of applicable
income taxes (Note 5)

NET EARNINGS

PER SHARE OF COMMON STOCK:

Earnings before extraordinary items

Extraordinary items

Net earnings

RETAINED EARNINGS

BALANCE AT BEGINNING OF YEAR

NET EARNINGS

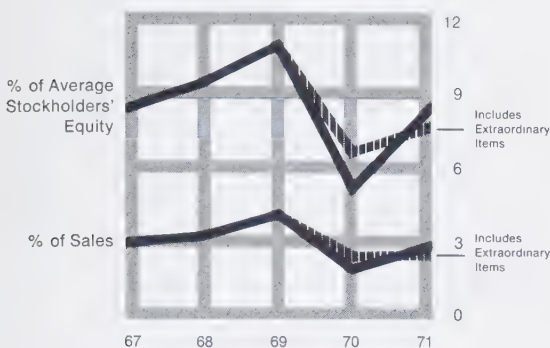
CASH DIVIDENDS, \$1.40 per share

BALANCE AT END OF YEAR (Note 3)

See accompanying notes.

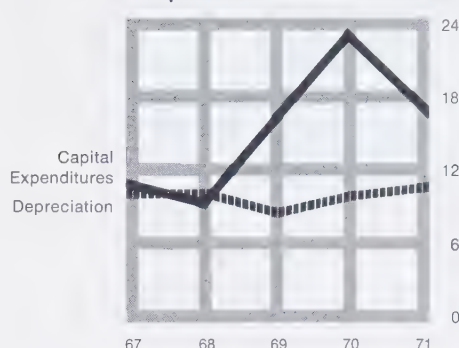
**Net Earnings as % of Sales
and as % of Average
Stockholders' Equity**

per cent



**Capital Expenditures
& Depreciation**

millions of dollars



**Capitalization—
Stockholders' Equity
and Long-Term Debt**

millions of dollars



A. O. SMITH CORPORATION

**CONSOLIDATED
STATEMENT
OF CHANGES
IN FINANCIAL
POSITION**

Years Ended December 31, 1970 and 1971

	1970	1971
	\$ 7,287,004	\$12,808,226
	9,850,821	10,792,192
	627,275	2,700,000
	1,737,344	(592,886)
	677,674	1,414,952
	20,180,118	27,122,484
	2,146,000	(1,760,000)
	1,419,672	3,969,870
	3,565,672	2,209,870
	34,291,224	—
	—	1,340,293
	451,797	688,253
	58,488,811	31,360,900
	3,456,506	3,430,865
	1,641,438	2,033,528
	23,267,000	17,335,205
	5,450,815	412,665
	—	2,100,000
	1,494,850	1,098,612
	1,936,001	917,231
	266,034	1,413,159
	37,512,644	28,741,265
	\$20,976,167	\$ 2,619,635
	\$ 2,123,520	\$ (1,387,518)
	5,707,364	1,858,073
	8,809,957	(329,300)
	3,031,647	3,943,682
	2,512,633	3,389,956
	(1,205,045)	(3,676,229)
	(3,909)	(1,179,029)
	\$20,976,167	\$ 2,619,635

WORKING CAPITAL

SOURCE:

Earnings before extraordinary items
Depreciation
Deferred income taxes
Equity in (earnings) losses of unconsolidated affiliates
Other items not involving working capital
Total from operations exclusive of extraordinary items
Extraordinary items
Amounts applicable thereto not involving working capital
Total from extraordinary items
Proceeds from sale of debentures, less related costs of \$708,776
Long-term borrowings—banks
Proceeds from exercise of stock options

USE:

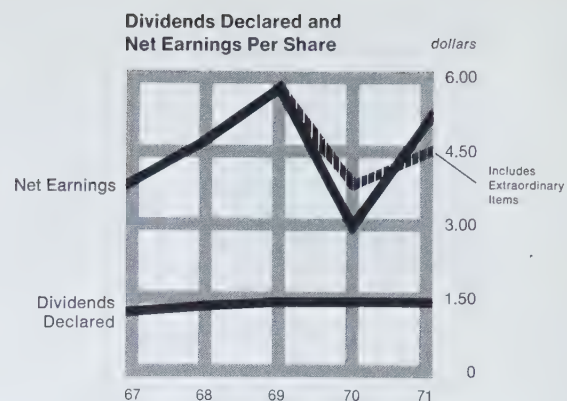
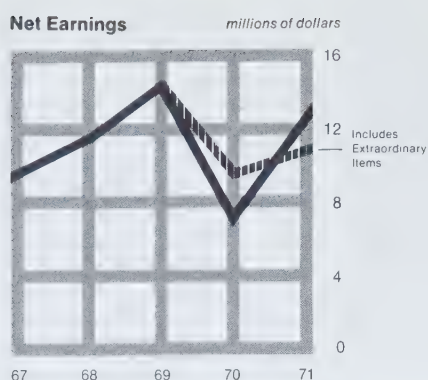
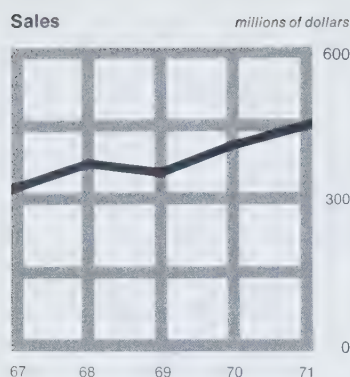
Cash dividends paid
Payments on long-term debt
Plant and equipment expenditures
Investment in subsidiaries and affiliates
Prepaid pension costs
Purchase of treasury stock
Deferred model change-over expenditures
Other

INCREASE

**INCREASE (DECREASE) IN COMPONENTS OF
WORKING CAPITAL:**

Cash and marketable securities
Receivables
Inventories
Accounts payable
Income taxes
Accrued payroll
Other

See accompanying notes.



A. O. SMITH CORPORATION

**CONSOLIDATED
BALANCE
SHEET**

December 31, 1970 and 1971

	1970	1971
	\$ 7,914,301	\$ 3,829,190
	4,900,000	7,597,593
	55,724,364	57,582,437
	20,668,040	24,110,588
	39,601,718	35,711,093
	25,463,768	25,582,545
	85,733,526	85,404,226
	3,764,205	3,118,551
	158,036,396	157,531,997
	10,292,039	11,227,010
	5,040,386	5,110,966
	3,600,000	5,700,000
	5,892,790	6,391,942
	24,825,215	28,429,918
	4,753,794	3,434,903
	23,504,282	23,938,886
	58,639,501	62,080,550
	86,897,577	89,454,339
	2,281,569	2,384,304
	5,554,195	5,234,503
	\$277,594,952	\$283,035,061

ASSETS

CURRENT ASSETS:

Cash
Marketable securities, at cost
(approximates market)
Receivables
Inventories, at lower of cost
(first-in, first-out) or market:
Finished goods
Work in process
Raw materials and supplies

Prepaid expenses

Total current assets

OTHER ASSETS:

Investments in and advances to:
50% owned companies (Note 1)
Unconsolidated finance
subsidiary (Note 1)
Prepaid pension costs (Note 2)
Other, at cost

Total other assets

PLANT AND EQUIPMENT, AT COST:

Land
Buildings (less accumulated
depreciation, 1971—\$25,927,690;
1970—\$24,885,565)
Equipment (less accumulated
depreciation, 1971—\$75,827,180;
1970—\$73,824,675)

Net plant and equipment

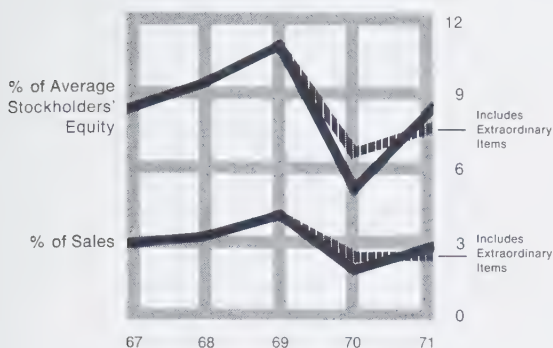
DEFERRED MODEL CHANGEOVER COSTS, LESS
AMORTIZATION

EXCESS COST OF INVESTMENT IN SUBSIDIARIES
over net assets at date of
acquisition less amortization
(40 year basis)

See accompanying notes.

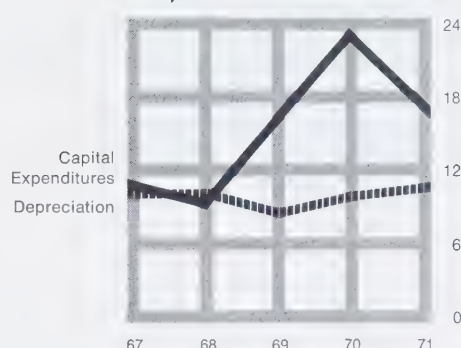
**Net Earnings as % of Sales
and as % of Average
Stockholders' Equity**

per cent



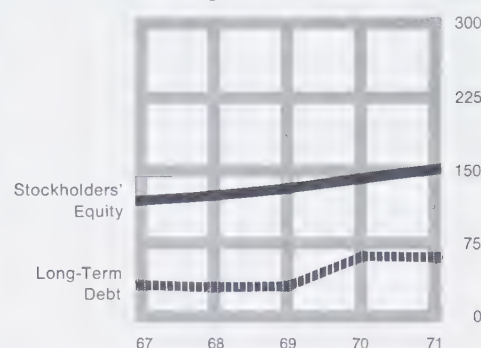
**Capital Expenditures
& Depreciation**

millions of dollars



**Capitalization—
Stockholders' Equity
and Long-Term Debt**

millions of dollars



1970	1971
\$ 4,098,828	\$ 3,355,075
18,773,944	14,830,262
6,182,426	2,792,470
4,598,203	4,666,993
9,595,498	13,271,727
16,030,235	17,284,303
2,245,000	2,199,270
61,524,134	58,400,100
62,224,488	61,480,203
6,665,000	9,365,000
4,245,355	3,646,781
—	—
12,598,745	12,598,745
25,820,774	25,459,401
107,174,231	114,791,592
(2,657,775)	(2,706,761)
142,935,975	150,142,977
\$277,594,952	\$283,035,061

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable—banks and others
Accounts payable
Income taxes
Taxes, other than income taxes
Accrued payrolls
Other liabilities
Long-term debt due within one year

Total current liabilities

LONG-TERM DEBT DUE AFTER ONE YEAR (Note 3)

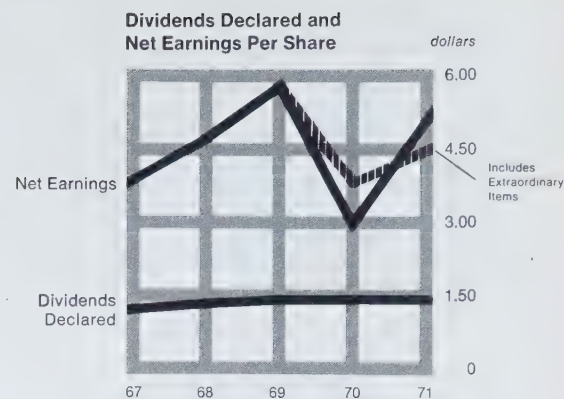
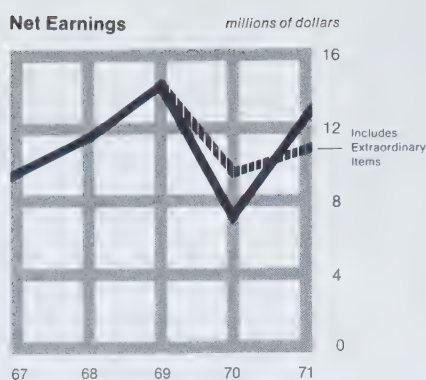
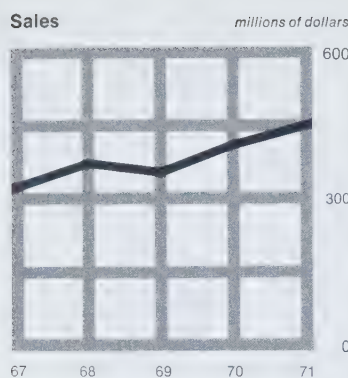
DEFERRED INCOME TAXES

DEFERRED CREDITS, LESS AMORTIZATION

STOCKHOLDERS' EQUITY:

Preferred stock, \$1 par value:
Authorized—1,000,000 shares
Issued—none
Common stock \$5 par value (Note 4):
Authorized—6,000,000 shares
Issued—2,519,749 shares
Capital in excess of par value
Retained earnings (Note 3)
Treasury stock, at cost, 1971—63,839
shares; 1970—66,019 shares

Total stockholders' equity



A. O. SMITH CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all subsidiaries except for its wholly owned finance subsidiary, AgriStor Credit Corporation. The investments in and advances to the finance subsidiary and affiliates (50%-owned) are carried at cost plus equity in undistributed net earnings since acquisition.

Accounts maintained in foreign currencies are converted to U.S. dollars based on year-end exchange rates for net current assets and certain long-term liabilities. Fixed and other non-current assets, long-term liabilities and capital accounts are converted at exchange rates prevailing at date acquired or incurred. Income accounts are converted at the average exchange rate for the year except for amounts related to items converted at historical rates. Unrealized gains and losses on conversion to U.S. dollars, which have not been material, are credited or charged to earnings.

2. RETIREMENT PLANS

The Company and its consolidated subsidiaries have non-contributory pension plans covering substantially all employees. Total pension expense for 1971 and 1970 was \$5,555,000 and \$3,830,000, respectively, which amounts include current cost plus interest on unfunded prior service cost for

all plans. In addition, the 1971 expense includes amortization of prior service cost for substantially all plans on a 30-year basis; whereas the 1970 expense includes, for two plans, amortization of the prior service cost on a 40-year basis. The increased pension expense in 1971 is principally attributable to increased benefits. The change to the amortization of prior service cost for substantially all plans and the change in amortization period did not materially affect 1971 earnings. The actuarially computed

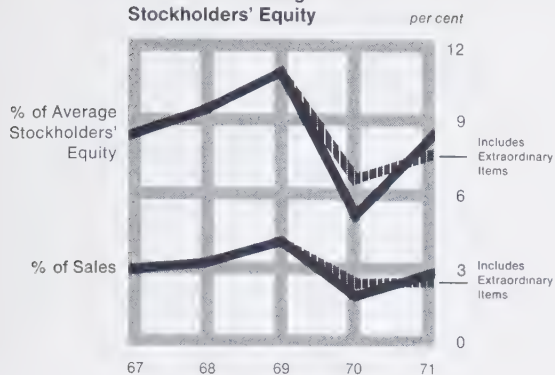
values of vested benefits under certain of the plans exceed the assets of the related trusts by \$34,900,000 at December 31, 1971. The present policy is to fund, at a minimum, pension cost accrued. The Board of Directors has authorized contributions to the pension trust of \$5,700,000 in excess of amounts charged to earnings; this amount is shown as prepaid pension costs in the balance sheet and the applicable deferred income taxes have been provided.

3. LONG-TERM DEBT AND RESTRICTION ON DIVIDEND PAYMENTS

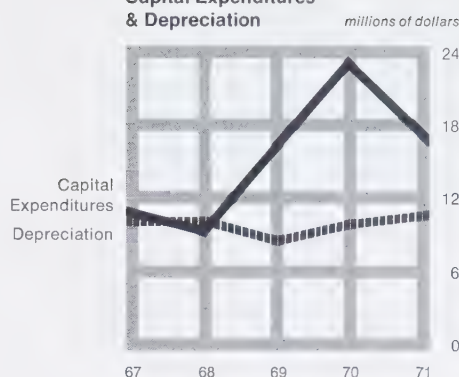
Long-term debt at December 31, 1971 and 1970 is as follows:

	1971	1970
10 $\frac{1}{4}$ % sinking fund debentures	\$35,000,000	\$35,000,000
4 $\frac{3}{4}$ % notes payable, due \$1,600,000 annually— final maturity July 1, 1983	19,200,000	20,800,000
Lease purchase obligations expiring 1984 and 1986, interest rates 4% to 6% per annum	3,780,000	3,960,000
Notes payable—banks (Eurodollar and Sterling), due in 1974, current interest rates 6 $\frac{1}{2}$ % to 11% per annum ..	2,080,000	2,080,000
9 $\frac{1}{2}$ % notes payable in quarterly installments of \$37,500 through November 1, 1979 (secured by the plant and equipment of Armor Elevator Canada Limited, a consolidated subsidiary)	1,200,000	1,350,000
9% note payable—bank (Deutsche Mark), payable October 1, 1977	621,118	—
8 $\frac{1}{2}$ % note payable—bank (Sterling), payable May 17, 1976	600,000	—
Miscellaneous mortgage notes, due 1972 through 1975, interest rates 4 $\frac{1}{2}$ % to 8 $\frac{1}{2}$ %	1,198,355	1,279,488
	63,679,473	64,469,488
Less amount due within one year	2,199,270	2,245,000
	<u>\$61,480,203</u>	<u>\$62,224,488</u>

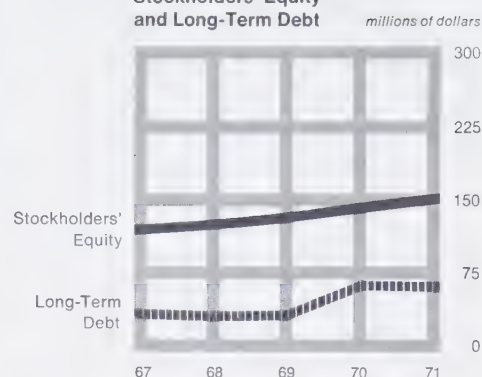
Net Earnings as % of Sales and as % of Average Stockholders' Equity



Capital Expenditures & Depreciation



Capitalization—Stockholders' Equity and Long-Term Debt



The indenture relating to the 10 $\frac{1}{4}$ % sinking fund debentures requires sinking fund payments of not less than \$1,750,000 and not more than \$3,500,000 on July 1 in each year beginning with the year 1976 to and including the year 1994. The right to make any sinking fund payments in excess of \$1,750,000 in any one year is not cumulative, and no such excess payment will relieve the Company of its obligation to make minimum sinking fund payments. The debentures are redeemable through operation of the sinking fund annually beginning July 1, 1976, at the principal amount thereof or at any time at the Company's option, as a whole or in part, at a redemption price of 109.326% to July 1, 1972, and at prices declining .424% thereafter on each July 1. The agreements relating to the 4 $\frac{3}{4}$ % notes payable and the indenture relating to the 10 $\frac{1}{4}$ % sinking fund debentures contain provisions restricting the payment of cash dividends and the retirement or acquisition of the Company's common stock. Under the more restrictive of these provisions, retained earnings of \$21,300,000 was not so restricted at December 31, 1971.

4. STOCK OPTIONS

At December 31, 1971, 22,614 shares of treasury stock and 132,399 shares of authorized but unissued common stock were reserved for options outstanding and for options which may be granted in the future. Options for 56,294 shares were outstanding at December 31, 1971 at per share prices ranging from \$25.04 to \$39.50 or a total of \$1,748,308. The options expire either five or ten years from date of grant and are exercisable at various dates (14,262 exercisable at December 31,

1971). No options were granted in 1971. Options for 51,050 shares were granted in 1970 at per share prices ranging from \$31.25 to \$39.50 or a total of \$1,627,487. Of the options granted, 26,050 replaced options granted in prior years which were cancelled. Non-qualified options for 44,150 shares at a per share price of \$30.30 and for 2,900 shares at \$33.58 per share were outstanding at December 31, 1971. These options were granted in 1970 to employees holding an equivalent number of shares under qualified plans. The grantee has the option of exercising either the qualified or the non-qualified option and the option not so exercised is then cancelled.

Treasury stock was issued for options exercised in 1971 (24,378 shares at prices ranging from \$27.51 to \$33.58 per share or a total of \$688,253) and in 1970 (16,423 shares at a price of \$27.51 per share or a total of \$451,797). The excess of the cost of the treasury stock (\$361,373 and \$234,135 in 1971 and 1970, respectively) over the proceeds of options exercised was charged to capital in excess of par value.

5. EXTRAORDINARY ITEMS

The Company sold, effective January 1, 1972, Layne & Bowler Pump Company (wholly owned subsidiary) for cash. The loss on this sale, after income tax credit of \$570,000, has been included in the 1971 statement of earnings as an extraordinary item. The operations of this subsidiary for the two years ended December 31, 1971 are not significant.

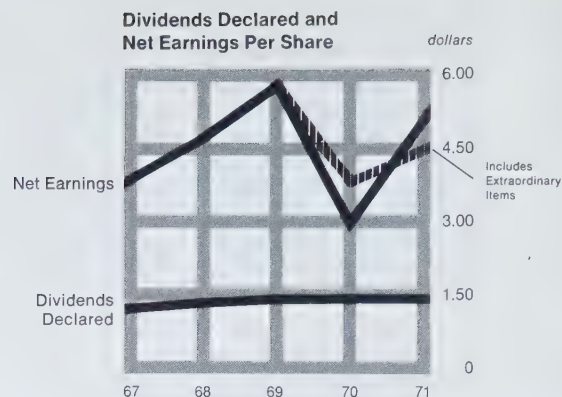
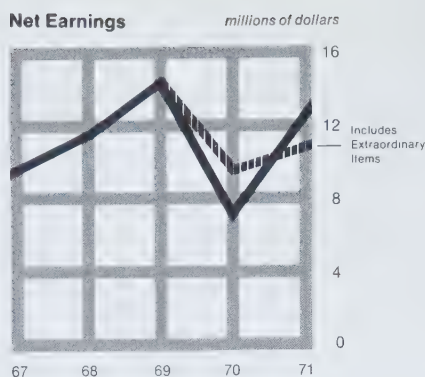
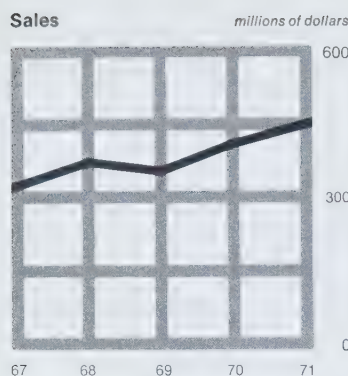
The extraordinary items in 1970 include the gain (\$3,076,000) resulting from the sale of the oil well casing business, less costs associated with the discontinuance of a product line of the Railroad Products division and the Company's equity in the estimated loss in connection with the disposition of the Specialty Products division of A. O. Smith-Inland Inc., a 50%-owned company. The 1970 extraordinary items of \$2,146,000 are stated after income tax effect of \$810,000.

6. DEPRECIATION

For financial statement purposes, depreciation on plant and equipment additions prior to January 1, 1954, and subsequent to December 31, 1966, is computed using the straight-line method; depreciation on additions between the above two dates is principally computed using accelerated methods. For income tax purposes, the Company uses accelerated methods and guideline depreciation. Deferred income taxes are provided for the excess of depreciation claimed for income tax purposes over depreciation provided for financial statement purposes.

7. LONG-TERM CONSTRUCTION CONTRACTS

Armor Elevator Company, a consolidated subsidiary, adopted the percentage of completion method of accounting for long-term construction contracts in 1971 whereas previously it had used the completed contract method. The new method of accounting for long-term contracts was adopted to provide a more meaningful measurement of the operations of this subsidiary. The effect of this accounting



change in 1971 and 1970 income and expenses was nominal and accordingly the 1970 statements of earnings, retained earnings and changes in financial position have not been restated. This subsidiary was acquired on December 30, 1969 in a transaction accounted for as a purchase, consequently the change has no effect on consolidated operations prior to that time or on the consolidated retained earnings at December 31, 1969. This change does affect the valuation of the net assets acquired in December, 1969 and the con-

solidated balance sheet at December 31, 1970 has been restated as follows:

Decrease in excess cost of investment in subsidiaries over net assets at date of acquisition	\$ 542,000
Decrease in current liabilities	\$1,112,000
Increase in deferred income taxes (since the completed contract method will continue to be used for income tax purposes)	\$ 570,000

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
A. O. Smith Corporation

We have examined the accompanying consolidated balance sheet of A. O. Smith Corporation at December 31, 1971 and the related consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the consolidated financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of A. O. Smith Corporation at December 31, 1971 and December 31, 1970 and the consolidated results of operations and changes in consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period after restatement of the 1970 consolidated balance sheet as explained in Note 7.

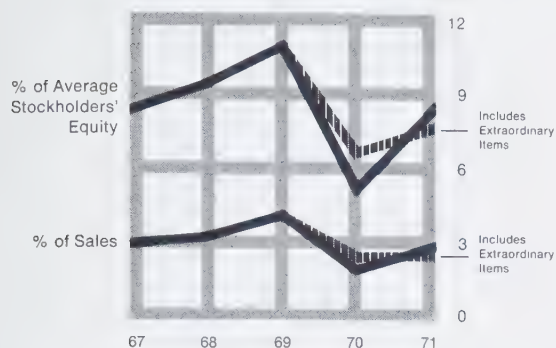
ARTHUR YOUNG & COMPANY

MILWAUKEE, WISCONSIN

January 17, 1972

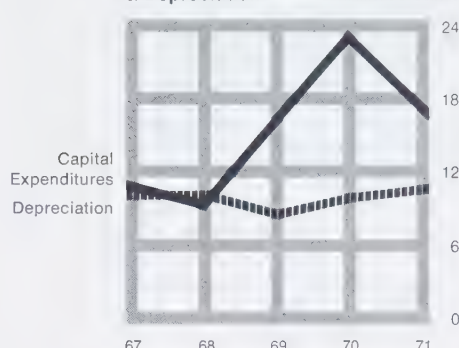
**Net Earnings as % of Sales
and as % of Average
Stockholders' Equity**

per cent



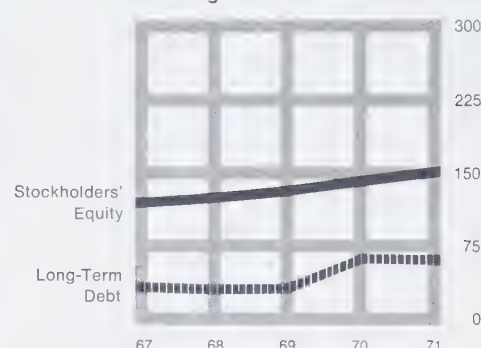
**Capital Expenditures
& Depreciation**

millions of dollars



**Capitalization—
Stockholders' Equity
and Long-Term Debt**

millions of dollars



AGRISTOR CREDIT CORPORATION

BALANCE SHEET

December 31, 1970 and 1971

	1970	1971
	\$ 1,488,157	\$ 3,594,920
	21,968,506	26,175,053
	6,584,681	7,522,901
	209,970	492,418
	6,794,651	8,015,319
	15,173,855	18,159,734
	3,542,989	3,968,988
	271,024	459,008
	\$20,476,025	\$26,182,650
	\$14,421,000	\$19,580,000
	327,690	320,000
	86,765	105,065
	102,397	386,065
	497,787	680,554
	15,435,639	21,071,684
	4,590,000	4,285,000
	450,386	825,966
	5,040,386	5,110,966
	\$20,476,025	\$26,182,650

ASSETS

CASH

INSTALLMENT CONTRACTS RECEIVABLE
(including amounts due within one year—
1971—\$4,463,369; 1970—\$3,452,722)

LESS:

Unearned time charges
Allowance for credit losses

SHORT-TERM NOTES RECEIVABLE FROM DEALERS
OTHER ASSETS

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES:

Commercial paper
Short-term notes payable
Accounts payable and accrued liabilities
Income taxes
Reserve for credit losses withheld from dealers

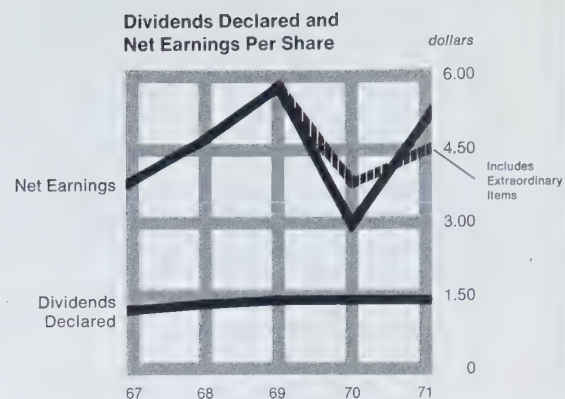
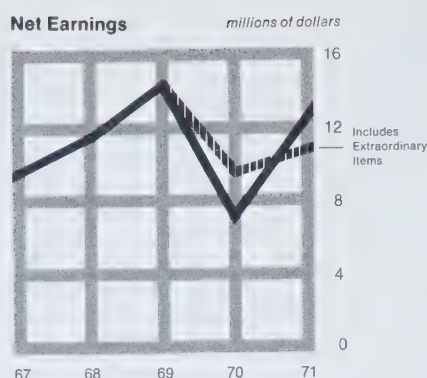
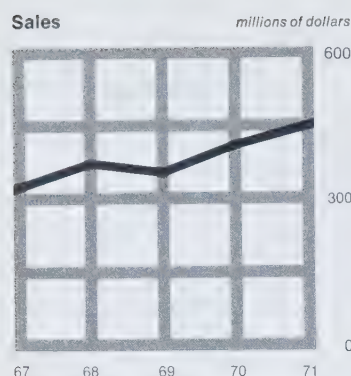
Total liabilities

STOCKHOLDERS' EQUITY (Notes 1 & 2):

Common stock, \$1,000 par value:
Authorized—5,000 shares
Issued and outstanding—1971, 4,285 shares;
1970, 4,590 shares

Retained earnings

Total stockholders' equity



AGRISTOR CREDIT CORPORATION

**STATEMENT OF EARNINGS
AND RETAINED EARNINGS**

Years Ended

December 31, 1970 and 1971

	1970	1971
	\$1,949,386	\$2,528,398
	407,801	669,668
	980,316	1,012,750
	1,388,117	1,682,418
	561,269	845,980
	290,000	427,000
	271,269	418,980
	179,117	450,386
	450,386	869,366
	—	43,400
	\$ 450,386	\$ 825,966

INCOME—earned finance income

EXPENSES:

General and administrative
Interest

EARNINGS BEFORE INCOME TAXES

PROVISION FOR INCOME TAXES

NET EARNINGS

RETAINED EARNINGS AT
BEGINNING OF YEAR

LESS PREMIUM ON REPURCHASE
OF COMMON STOCK

RETAINED EARNINGS AT END OF YEAR

See accompanying notes.

AGRISTOR CREDIT CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. LIMITATION OF INDEBTEDNESS

The agreement between the Company, A. O. Smith Corporation and those banks making credit available to the Company, limits, effective December 31, 1971, aggregate borrowings of the Company to 400% of its capital (net worth plus subordinated debt). The agreement also provides that the net worth of the Company shall not be less than \$3,500,000. Under the terms of the agreement, A. O. Smith Corporation agrees that it will or will cause its subsidiaries to make such additional investments (equity or subordinated debt) in the Company as may be necessary, subject to certain limitations, to prevent violation of the provisions outlined above.

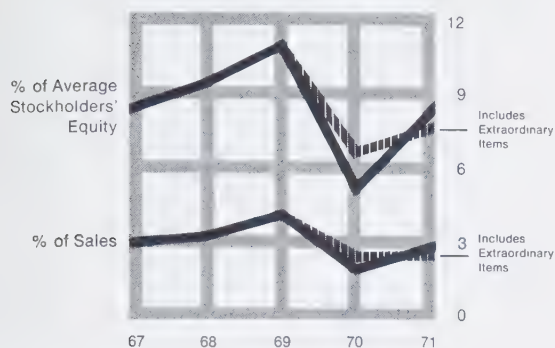
2. COMMON STOCK

A. O. Smith Harvestore Products, Inc. (a wholly-owned subsidiary of A. O. Smith Corporation), the only shareholder of the Company at December 31, 1971, has subscribed, at par value, to the remaining authorized but unissued common stock.

In 1971 and 1970, 95 and 1,715 shares of common stock, respectively, were issued at par to the stockholders for cash. A. O. Smith Corporation sold its investment in Layne & Bowler Pump Company effective January 1, 1972. In connection therewith, the Company reacquired its common stock (400 shares) held by Layne & Bowler Pump Company for \$443,400.

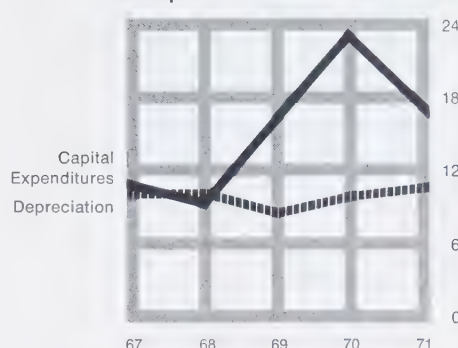
**Net Earnings as % of Sales
and as % of Average
Stockholders' Equity**

per cent



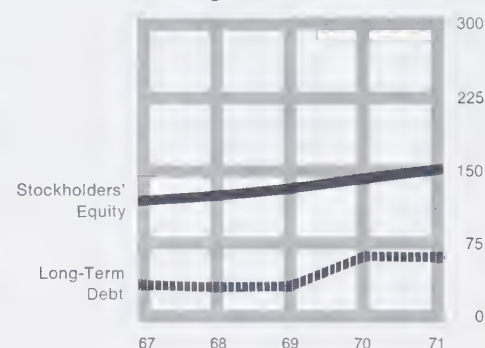
**Capital Expenditures
& Depreciation**

millions of dollars



**Capitalization—
Stockholders' Equity
and Long-Term Debt**

millions of dollars



AGRISTOR CREDIT CORPORATION

1970

1971

**STATEMENT OF CHANGES
IN FINANCIAL POSITION**

Years Ended

December 31, 1970 and 1971

\$ 252,587	\$1,488,157
271,269	418,980
2,713,513	1,220,668
164,449	484,735
9,183,000	5,159,000
1,715,000	95,000
14,047,231	7,378,383
14,299,818	8,866,540
8,646,403	4,206,547
539,600	425,999
3,518,160	7,690
107,498	187,984
—	443,400
12,811,661	5,271,620
\$ 1,488,157	\$3,594,920

See accompanying notes.

CASH BALANCE AT BEGINNING OF YEAR

SOURCE OF CASH:

Net earnings
Increase in unearned time charges and allowance for credit losses
Increase in accounts payable and other current liabilities
Proceeds from sale of commercial paper, net of payments
Proceeds from sale of common stock

TOTAL SOURCE OF CASH

USE OF CASH:

Purchase of installment contracts receivable, net of payments
Increase in short-term notes receivable from dealers
Reduction of short-term notes payable
Increase in other assets
Purchase of common stock

TOTAL USE OF CASH

CASH BALANCE AT END OF YEAR

The Board of Directors

AgriStor Credit Corporation

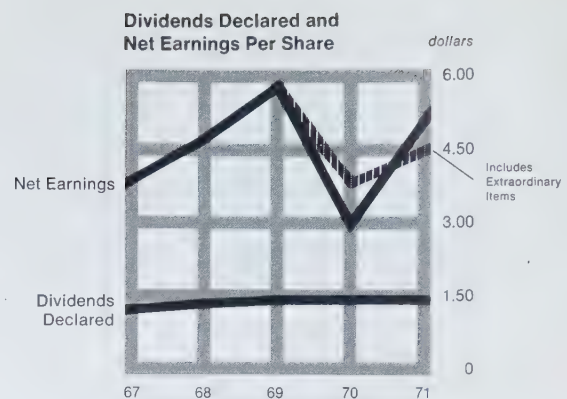
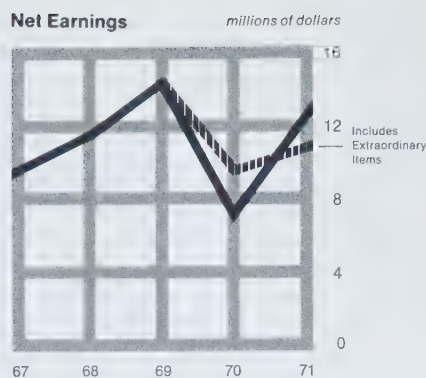
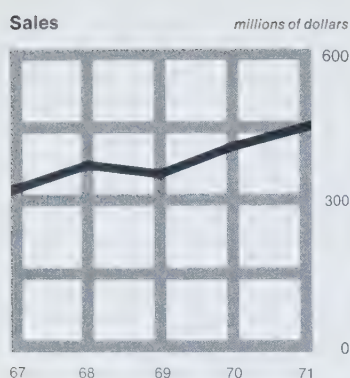
We have examined the accompanying balance sheet of AgriStor Credit Corporation at December 31, 1971 and the related statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the financial position of AgriStor Credit Corporation at December 31, 1971 and December 31, 1970, the results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

MILWAUKEE, WISCONSIN

January 17, 1972

ARTHUR YOUNG & COMPANY



A. O. SMITH CORPORATION

TEN-YEAR

FINANCIAL SUMMARY

(\$'000 Omitted Except for Per Share Values)

(1) In 1963 the Company changed its fiscal year from July 31 to December 31. Data shown are for the short period August 1, 1963 to December 31, 1963.

(2) Net Earnings, Cash Flow and Cash Dividends Per Share are based on average shares outstanding in each year adjusted for subsequent stock dividends.

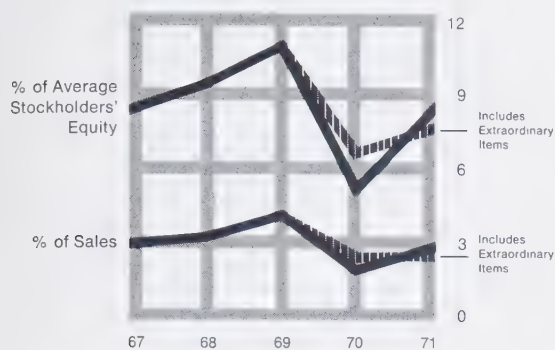
(3) Book Value Per Share is based on year-end stockholders' equity and shares outstanding at year-end adjusted for subsequent stock dividends.

(4) Restatements of 1969 and 1970 amounts have been made to give effect for the 1971 change in accounting for long-term elevator construction contracts from the completed contract method to the percentage of completion method.

	1971	1970
NET SALES	456,846	413,098
EARNINGS BEFORE EXTRAORDINARY ITEMS ...	12,808	7,287
Per Share (2)	5.23	2.95
As % of Sales	2.8%	1.8%
As % of Average Stockholders' Equity	8.5%	5.1%
NET EARNINGS (After Extraordinary Items)	11,048	9,433
Per Share (2)	4.51	3.82
CASH FLOW (Net Earnings and Depreciation Only)	21,840	19,284
Per Share (2)	8.92	7.81
CASH DIVIDENDS	3,431	3,457
Per Share (As Declared)	1.40	1.40
Per Share (2)	1.40	1.40
As % of Net Earnings	31.1%	36.6%
STOCK DIVIDENDS	—	—
WORKING CAPITAL		
Cash and Marketable Securities	11,427	12,814
Receivables	57,582	55,724
Inventories and Other Assets	88,523	89,498
Total Current Assets	157,532	158,036
Current Liabilities (4)	58,400	61,524
Net Working Capital (4)	99,132	96,512
Current Ratio (4)	2.7	2.6
CAPITALIZATION		
Stockholders' Equity	150,143	142,936
Book Value Per Share (3)	61.14	58.25
Long-Term Debt:		
Notes Payable	57,885	58,444
Lease Purchase Obligations	3,595	3,780
Total Long-Term Debt	61,480	62,224
Total Capital	211,623	205,160
Long-Term Debt As % of Total Capital	29.1%	30.3%
PLANT AND EQUIPMENT		
Gross	191,209	185,608
Accumulated Depreciation	101,755	98,710
Net	89,454	86,898
CAPITAL EXPENDITURES	17,335	23,267
ANNUAL DEPRECIATION	10,792	9,851
AVERAGE NUMBER OF EMPLOYEES	16,030	16,008

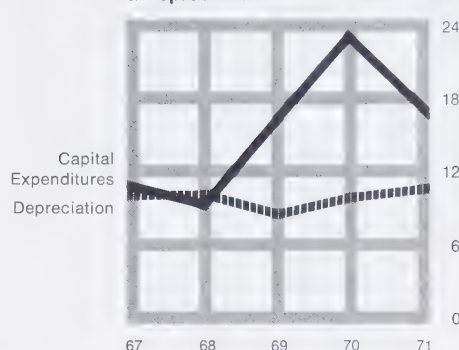
**Net Earnings as % of Sales
and as % of Average
Stockholders' Equity**

per cent



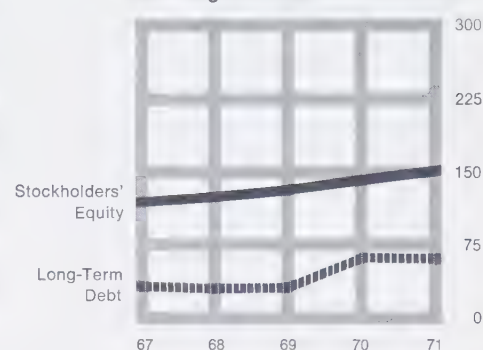
**Capital Expenditures
& Depreciation**

millions of dollars

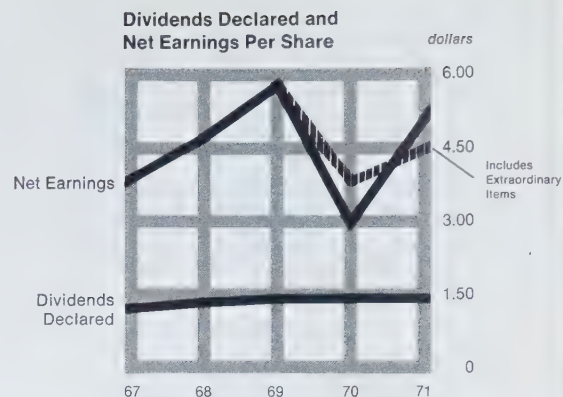
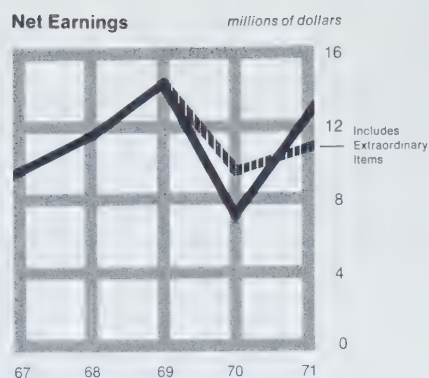
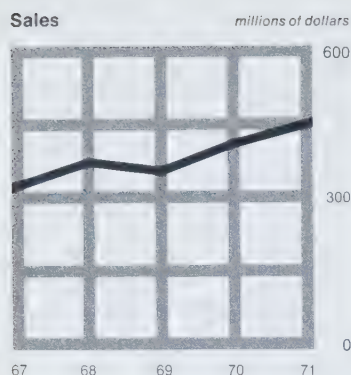


**Capitalization—
Stockholders' Equity
and Long-Term Debt**

millions of dollars



1969	1968	1967	1966	1965	1964	1963(1)	1963	1962
354,518	372,798	329,976	318,433	358,441	299,852	112,585	281,819	249,053
14,560	11,643	9,627	8,738	7,918	1,512	1,819	5,513	5,922
5.84	4.68	3.87	3.51	3.18	.61	.73	2.22	2.38
4.1%	3.1%	2.9%	2.7%	2.2%	.5%	1.6%	2.0%	2.4%
10.9%	9.4%	8.4%	8.0%	7.6%	1.5%	1.8%	5.6%	6.0%
14,560	11,643	9,627	8,738	7,918	1,512	1,819	5,513	5,922
5.84	4.68	3.87	3.51	3.18	.61	.73	2.22	2.38
23,088	21,518	19,799	17,580	17,493	10,387	5,361	13,664	14,501
9.26	8.65	7.96	7.07	7.03	4.18	2.16	5.49	5.83
3,494	3,198	2,808	2,567	2,148	2,147	536	2,145	2,145
1.40	1.30	1.20	1.15	1.00	1.00	.25	1.00	1.00
1.40	1.29	1.13	1.03	.86	.86	.22	.86	.86
24.0%	27.5%	29.2%	29.4%	27.1%	142.0%	29.5%	38.9%	36.2%
—	5%	5%	5%	—	—	—	—	—
10,691	28,706	8,299	9,558	14,155	7,434	12,313	10,198	9,175
50,017	42,766	41,598	39,415	35,520	38,947	36,322	36,262	32,555
79,229	63,172	67,379	67,866	59,178	62,811	49,919	54,168	44,657
139,937	134,644	117,276	116,839	108,853	109,192	98,554	100,628	86,387
64,401	49,905	37,551	38,509	31,507	42,874	22,508	23,726	19,536
75,536	84,739	79,725	78,330	77,346	66,318	76,046	76,902	66,851
2.2	2.7	3.1	3.0	3.5	2.5	4.4	4.2	4.4
138,003	127,956	119,440	112,621	106,445	100,675	102,498	101,216	101,740
55.73	51.38	48.07	45.33	42.85	40.52	41.30	40.79	41.00
24,906	22,400	24,000	27,000	31,000	32,440	32,570	32,570	25,000
3,960	6,081	6,348	6,601	—	—	—	—	—
28,866	28,481	30,348	33,601	31,000	32,440	32,570	32,570	25,000
166,869	156,437	149,788	146,222	137,445	133,115	135,068	133,786	126,740
17.3%	18.2%	20.3%	23.0%	22.6%	24.4%	24.1%	24.3%	19.7%
170,757	160,457	157,040	151,165	128,610	137,012	127,975	126,958	116,200
96,310	96,442	91,385	85,919	77,933	78,138	74,083	72,258	64,237
74,447	64,015	65,655	65,246	50,677	58,874	53,892	54,700	51,963
16,275	9,258	10,979	16,318	6,596	16,657	3,491	8,581	8,422
8,528	9,875	10,172	8,842	9,575	8,875	3,542	8,151	8,579
12,844	13,754	13,728	13,356	14,752	14,146	13,091	12,609	11,228



A. O. SMITH CORPORATION STATEMENT OF ACCOUNTING PRACTICES

CONSOLIDATION

1. The accounts of domestic and foreign subsidiaries in which the corporation has more than 50% ownership are fully consolidated, exclusive of the finance subsidiary.
2. Equity in earnings of 50%-owned affiliates and the finance subsidiary is reflected in the earnings and investment of the corporation.
3. Only dividends received are reported as income for those affiliates in which ownership is less than 50%.

DEPRECIATION Straight line depreciation is utilized except for assets capitalized from 1954 through 1966. The latter assets are depreciated on the sum of the years digits method.

RETIREMENT PLANS Provisions are based on actuarially determined current cost plus interest on unfunded liabilities employing the frozen liability actuarial method. Provisions also include 30 year amortization of prior service cost for substantially all plans.

MODEL CHANGEOVER Expenses and identifiable tool costs associated with changing certain models are amortized over the anticipated production units of the model involved or the time period of the model life, whichever occurs first.

ELEVATOR CONSTRUCTION CONTRACTS Construction sales and profits are recorded on a percentage of completion basis.

VACATIONS Accruals are made to reflect the liability of the corporation to its employees at year end. Generally, liability exists as of December 31 for the subsequent 12 month period.

RESEARCH AND DEVELOPMENT These expenses are charged to income as incurred.

INVENTORIES Productive inventories are carried at standard cost which approximates acquisition cost on a first-in/first-out basis. Supplies are reflected at actual or recent average cost.

PRODUCT WARRANTY LIABILITY Current operations are charged for future claims arising under the terms of various guarantees made in connection with the sale of products. These reserves are classified as current liabilities and applicable income taxes are reflected in prepaid expenses.

LEASE PURCHASE AGREEMENTS Installment purchases under lease agreements have been established as long-term liabilities with the associated property capitalized in the accounts in conformity with APB Opinion No. 5.

ACQUISITIONS The purchase price of acquired businesses is allocated to the assets acquired on the basis of fair values. Excess of cost over the fair values, less liabilities, is included in the balance sheet as an intangible asset under the caption "Excess Cost of Investment in Subsidiaries Over Net Assets at Date of Acquisition."

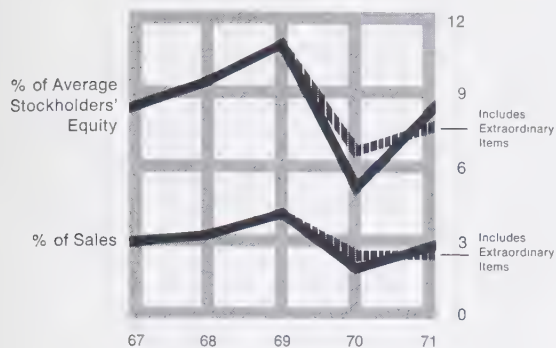
AMORTIZATION OF INTANGIBLES The cost of intangible assets acquired is amortized over the estimated life of each specific asset. Excess cost of investment in subsidiaries over net assets at date of acquisition is amortized over a 40-year period.

CONVERSION OF FOREIGN CURRENCY The accounts of foreign branches and subsidiaries included in the consolidated financial statements are converted to U.S. dollars on the following basis:

1. Net current assets and certain long-term liabilities are converted at the exchange rates at the end of the fiscal year. Fixed and other non-current assets, long-term liabilities and capital accounts are converted at the exchange rates prevailing when they were originally incurred or acquired.
2. Income statements are converted at the average exchange rate for the fiscal year, except for provisions for depreciation, which are converted at the exchange rates applicable to the fixed assets being depreciated.
3. Minor fluctuations in exchange rates from year to year are not reflected.

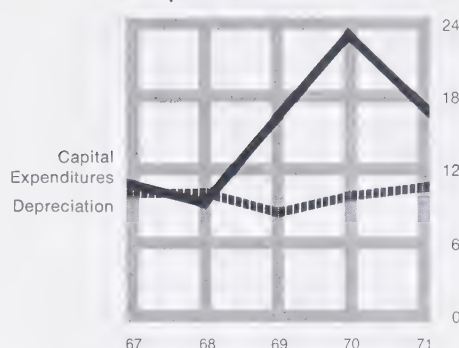
Net Earnings as % of Sales and as % of Average Stockholders' Equity

per cent



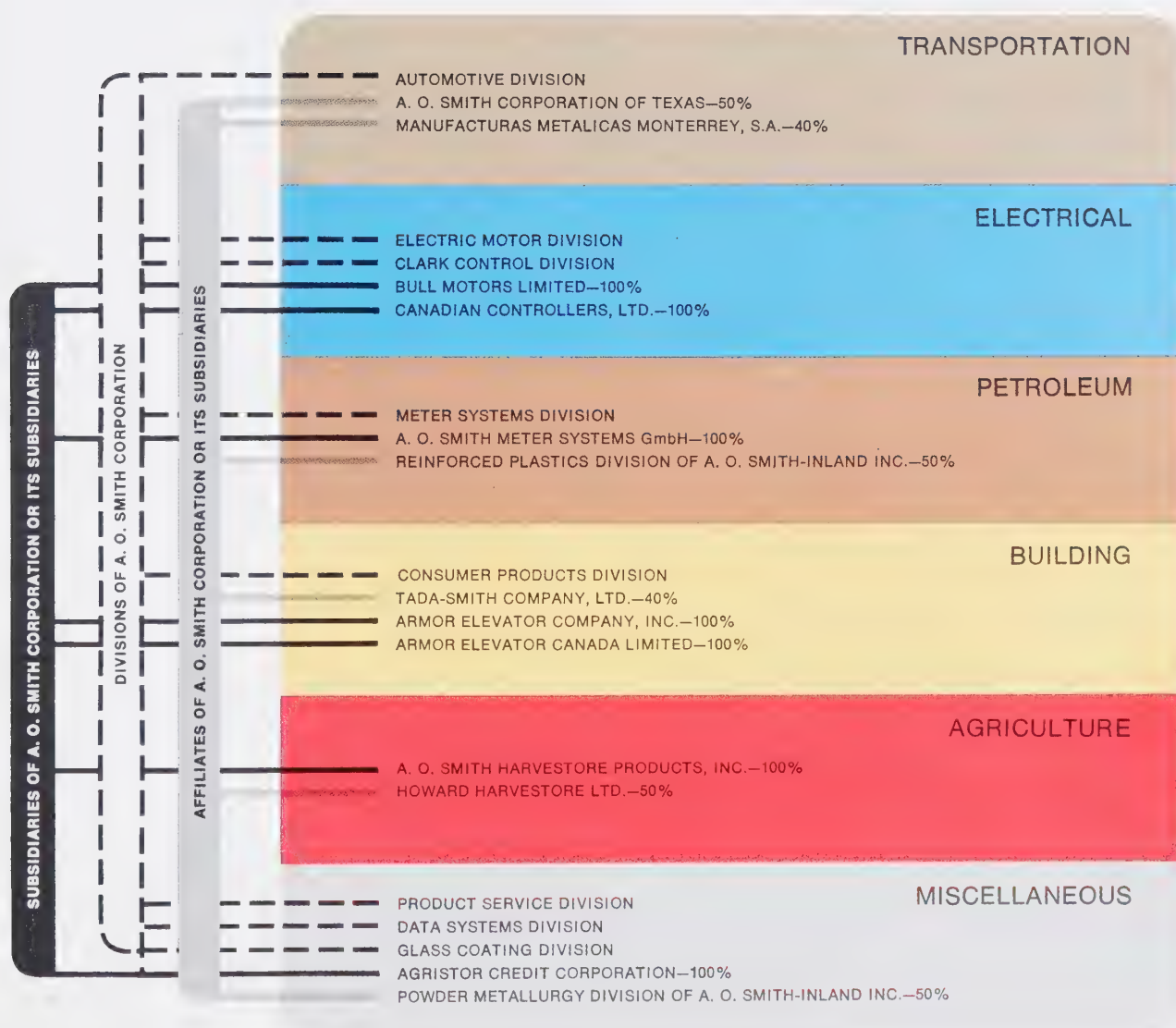
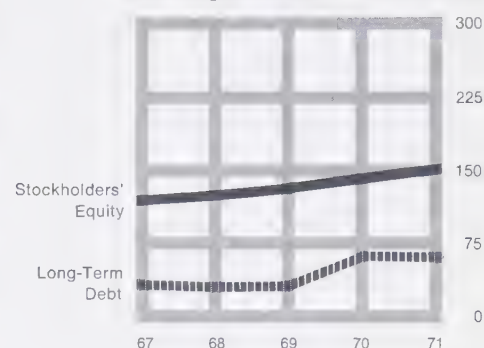
Capital Expenditures & Depreciation

millions of dollars



Capitalization—Stockholders' Equity and Long-Term Debt

millions of dollars



Marketing

Transportation

Electrical

Petroleum

Building

Agriculture

A. O. Smith's marketing efforts are as diversified as the company's many products. Serving a wide range of customers requires special marketing skills and qualified marketing experts, and A.O. Smith has established successful marketing and distribution systems to meet the unique needs and requirements of its varied markets.

These systems include person to person contact between A. O. Smith engineers and its customers in selling automobile and truck frames and electric motors; established networks of wholesale distributors to sell water heaters, food waste disposers, electrical controls and petroleum meter products; plus specialized farm equipment dealers to bring Harvestore systems from the factory to the American farm. A. O. Smith also has elevator experts who meet with building owners, general contractors, architects and consultants to sell vertical transportation systems; petroleum and natural gas transportation specialists to sell large diameter line pipe; and others who sell reinforced plastic pipe in markets requiring highly corrosive-resistant piping systems.

As a result of its marketing efforts, plus its high quality products and efficient manufacturing processes, A. O. Smith has been able to gain a leadership position in many of the markets served by its products. The company is a well known leader in the automobile and truck frame industry, in water heating equipment, Harvestore farm systems technology, petroleum meters and hermetic motors.

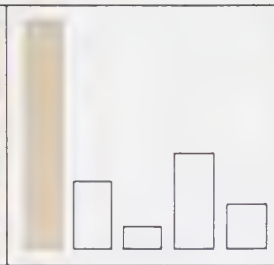
Some of the company's newer products, such as plastic pipe and metal powder, are sold in markets which themselves are still developing and A. O. Smith is gearing its efforts toward product development in order to achieve and maintain leadership positions as these markets grow.

In other markets, such as elevators, A. O. Smith's competitive capabilities are impressive. Armor is one of only four North American elevator firms capable of supplying geared, gearless and hydraulic elevators, plus escalators, and thus is able to bid on all types of building construction.

A. O. Smith supports its direct sales efforts with a wide range of collateral activities. Every division has an advertising specialist working to create appropriate messages for industrial and trade publications. The corporation has a full time display department whose job it is to design unusual and interesting displays for trade shows. The company employs several advertising and public relations firms in order to draw upon a wide range of creative minds.

A. O. Smith recognizes that the days when the world would beat a path to the door of the company which built a better mouse trap are long gone. It takes, in addition, sophisticated and enlightened marketing programs plus a management which thinks sales to succeed in today's marketplace.

The next few pages of this annual report attempt to portray how A. O. Smith reaches for that success in marketing.



Marketing
Transportation

A. O. Smith is the world's largest manufacturer of automobile and truck frames. The company has achieved this position through its extensive emphasis on a total service concept. This includes engineering consultations with customer design and development groups on chassis frame function and cost, as well as the use of realistic processes to manufacture consistent quality products.

A. O. Smith developed the first mathematical models in the frame industry, and the company uses such models to aid engineering analysis. Computer programs and mathematical models are used to help translate operating improvements into such customer services as better designs for stress levels, rigidity, weight and safety factors. The company exchanges computer data with customers on schedules and shipping information to reduce the margin of error. And, of course, A. O. Smith is equipped to maintain high level production with consistent good quality.

By anticipating customer needs, such as high strength low cost steel for truck side rails, A. O. Smith has been able to capture nearly half of the truck frame market. This growing market—1971 was the first 2,000,000 sales year in history—now accounts for nearly one-third of A. O. Smith's frame production each year.

The customer list for A. O. Smith automotive products contains the top companies in the world, among them General Motors, Ford, Chrysler, American Motors, International Harvester and White.

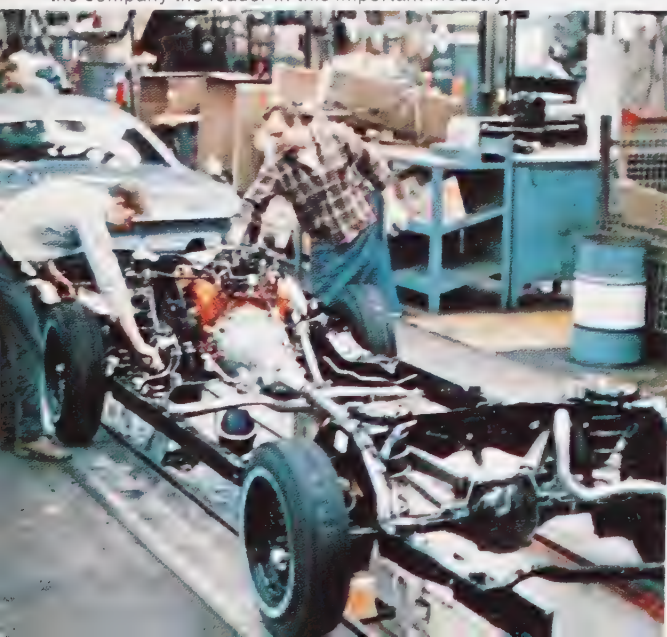
Petroleum and natural gas transportation experts at A. O. Smith Corporation Of Texas have experienced a severely restricted market in the past two years. Although the company, a 50%-owned affiliate, makes some of the best line pipe in the world, foreign competition and lack of demand have caused a decline in sales.

President Nixon's program to discourage imports may help the domestic line pipe market, however, and the company received an order for 113 miles of pipe near the end of 1971 which might have gone overseas had it not been for the new economic program.

The lack of demand results from past policies of the Federal Power Commission, which have not encouraged the drilling of new wells. A. O. Smith Of Texas executives and salesmen, as well as other natural gas industry leaders, have been publicizing the national energy crisis, and some change in government direction has become apparent.

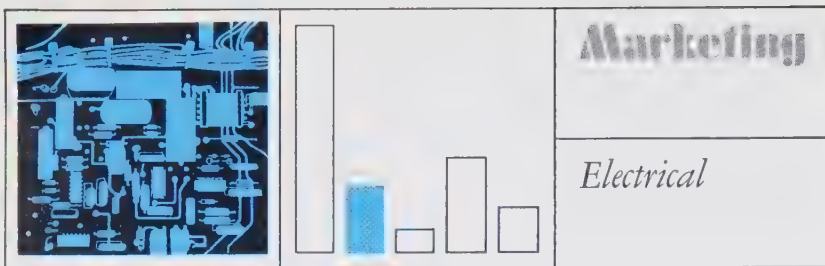
The domestic market for line pipe will increase as the supply of much needed clean burning natural gas is improved by additional drilling activity.

A. O. Smith's ability to manufacture frames to customer's design specifications has made the company the leader in this important industry.



Below—A. O. Smith is actively testing vehicle durability. This pendulum test measures damage to bumper from low speed impact. Right—Large diameter line pipe is readied for shipment.





Ten years ago, the Electric Motor division was a rather small business with an annual volume of about \$11 million. In 1971, the division, including Bull Motors in England, did more than \$50 million in sales. This growth is largely the result of a decision to redirect the sales efforts of the division into the original equipment market.

Today, the division's sales engineers meet with the customers' engineering departments well in advance of the manufacture of actual products. Sample motors are developed and tested to specific requirements, and, when approved by the customer, are manufactured in quantity.

Virtually all sales in this division today are to original equipment manufacturers (OEM), and some 65% of the total motor production goes to the air conditioning and refrigeration markets. In addition, the division makes and markets fractional horsepower special purpose motors including fan motors, jet pump motors, swimming pool filter motors, blower motors, and in England, elevator motors.

This somewhat "rifle shot" approach to the OEM market enables A. O. Smith to compete equally with larger manufacturers where mass distribution systems are not important. It permits key division executives to maintain close liaison with customer representatives and the high engineering content in the motors tends to reduce casual bidding from smaller and less qualified competitors.

In Europe, the subsidiary Bull Motors has expanded its

marketing efforts by introducing some of the same types of motors manufactured in the U.S. And the subsidiary's sales engineers use the same OEM approach.

Major marketing efforts at the Clark Control division in recent years have been concentrated on the introduction of new products. More than 60% of Clark's current products were brought to market within the last three years.

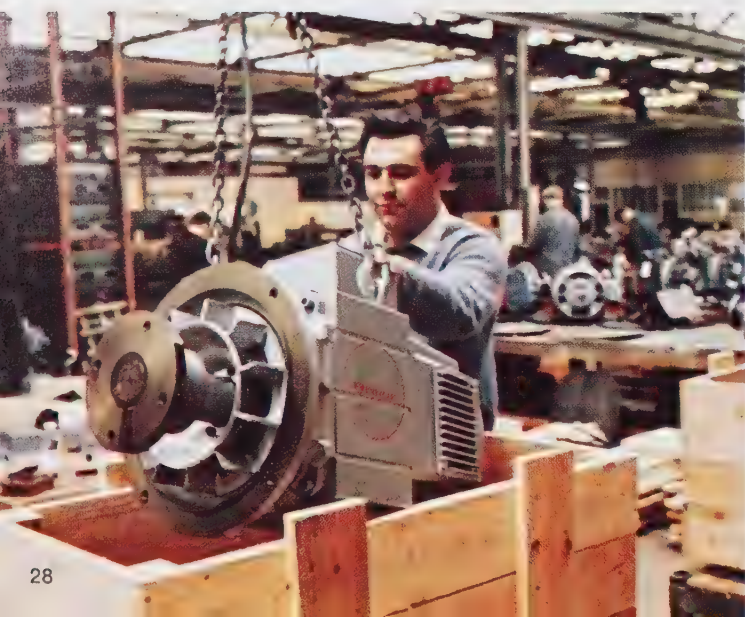
Sales efforts are coordinated strongly with a network of Clark distributors located in major cities throughout North America. These independent electrical equipment wholesalers stock, sell and distribute Clark products. Clark sales engineers work closely with their distributors, calling on customers, engineering and assisting with installations and making sure Clark's products are readily available.

Clark's sales efforts are also emphasizing the development of new accounts in OEM markets. New business has been developed in the air conditioning, heating, pumping, rubber and plastic equipment industries.

Clark's new products—compact motor starters, Pulsar D.C. drives, definite purpose contactors, fire pump controls and the new SuperCenter motor control center just introduced—are opening new opportunities for Clark and its distributors in one of the country's biggest markets—industrial controls.

Clark is ready to move ahead as this market improves and as the capital goods industry turns upward.

Bull Motors supplies elevator motors for many Armor elevator installations.



Right— Fan motors are made to air conditioning manufacturers' requirements. Below— A major marketing effort was culminated with the introduction of Clark's new SuperCenter—the "Motor Control Center of the Seventies."





The two units serving the petroleum industry, Meter Systems division and Reinforced Plastics division of A. O. Smith-Inland Inc., an affiliate, have both elected to market their products principally through distributors. This has historically been the best way to serve the petroleum industry.

Meter Systems blankets the United States with well over 100 distributors and has extended the successful network to Europe, Africa, South America and the Far East. At the present time, there are over 200 distributors worldwide. In 1971, the division opened its first full time sales office in Singapore to cover the Far East distributor network.

The company has about 35% of the positive displacement meter market, making it the leader in the United States. The international meter market growth rate exceeds that of the United States' market and offers substantial potential for the division. Steps are being taken to insure greater participation in this market.

In Europe, a new manufacturing facility in West Germany will supply petroleum meters to distributors in the Common Market countries, permitting the company to be more competitive while retaining high quality product standards.

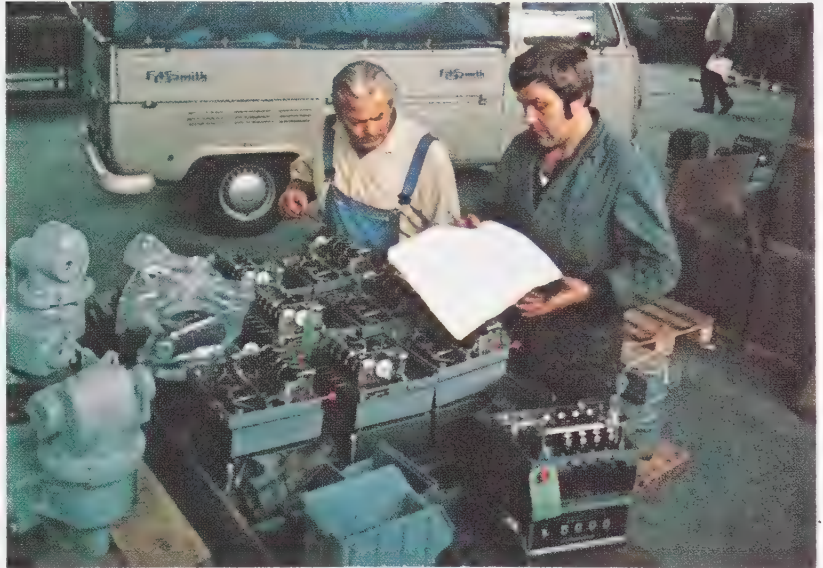
The Meter division is constantly providing distributor education through product training schools held in Erie, Pa. and at various field locations.

Service station equipment is marketed through distributors and directly by company personnel.

A. O. Smith personnel from both the Meter Systems division and the Reinforced Plastics division of A. O. Smith-Inland often work directly with the end user, designer, customer and others involved in specifying customers' requirements. This usually involves joint visitation by distributors and A. O. Smith engineers offering these consulting services.

Five very large distributors handle plastic pipe sales to the petroleum industry in the U.S. and Canada for the Reinforced Plastics division. Each of these distributors has many branch offices and supply stocks strategically located throughout the important geographic areas of the petroleum market. Field installations of plastic pipe require careful engineering, and division personnel spend a great deal of time helping the user insure proper installation.

The division has more than 150 distributor outlets selling its pipe to chemical and industrial plants, perhaps the fastest growing portion of the market.

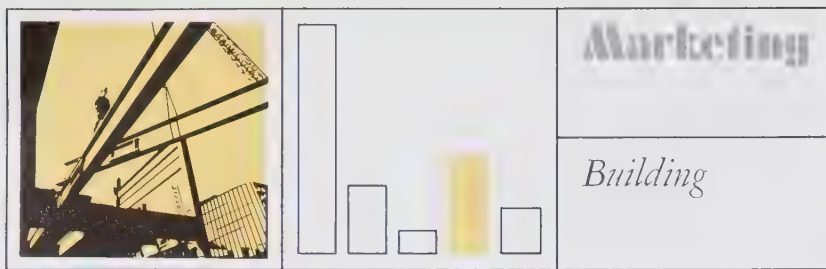


With production at its new plant in Ellerbek, West Germany, A. O. Smith will compete more favorably on European meter sales.



Simplified use boosts "Card Club" appeal for growing self-service gasoline fueling systems.

40,000 ft. of Silver Thread pipe collects natural gas at a California oil field.



A. O. Smith is an active participant in two large segments of the building industry—water heating through the Consumer Products division, and elevator construction through Armor Elevator Company, Inc.

Until 1965, a substantial portion of A. O. Smith water heaters were manufactured for other companies, and did not carry the A. O. Smith name. In 1965, the company made the decision to manufacture only for itself and to conduct an intensive marketing program for A. O. Smith-labeled water heaters.

The wisdom of that decision can be seen in these figures: in 1964, the company had about 200 plumbing wholesalers handling its products; today, the company sells residential water heaters through more than 600 plumbing wholesalers, 350 liquefied petroleum gas dealers and 200 merchandising gas and electric utilities.

Some 65 to 70% of A. O. Smith residential water heaters go to the replacement portion of the market, which contributes to volume stability.

Marketing of commercial water heater products differs from the residential portion of the business since a great deal of work must be done by Consumer Products engineers to get A. O. Smith products specified for a particular installation.

A. O. Smith food waste disposers are sold through the same distribution network as water heaters. The disposers received good acceptance in 1971, their first year in the market.

Armor Elevator has the best growth rate among elevator companies—28% versus 9% for the industry average during the last four years—and plans to continue its better than industry growth rate in the 1970s.

Elevator contracts are normally awarded on a bid basis—that is, several elevator manufacturers are invited to submit prices on the construction and installation of an elevator system. Armor has attained growing success in the past two years because more and more architects, building contractors and owners are inviting the company to bid on their projects.

Once this opportunity to bid is received, Armor's proven capability to build and install all types of elevators, and its ability to manufacture its own controls, fixtures, slings, platforms, doors, cabs and entrances, give it equal competitive footing with the major elevator companies in North America.

Armor greatly expanded its marketing efforts in 1971, adding three new offices, in Boston, Mass., Philadelphia, Pa., and Houston, Texas, and appointing several new sales executives.

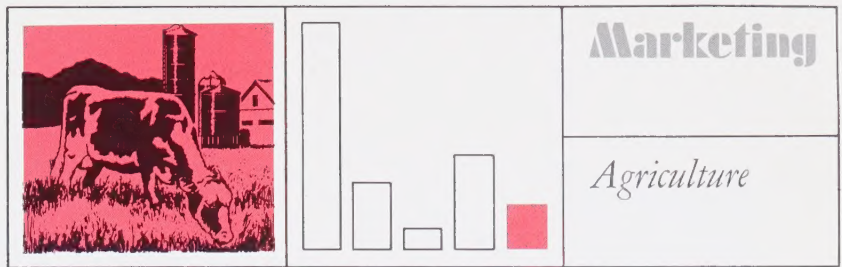
Currently Armor has branch offices in 26 cities in the U.S. and Canada and is planning to open at least five more by 1975. Where there are no branch offices, Armor will continue to utilize local exclusive distributors who will handle service and keep the company informed on new construction plans.

Armor engineers use Performance Evaluation Review Techniques (PERT) to check elevator installation progress.



Attractive dealer displays of A. O. Smith water heaters and food waste disposers contribute to increasing product sales.





If any product within A. O. Smith can trace its success largely to the marketing effort, it is the Harvestore system, manufactured by A. O. Smith Harvestore Products, Inc.

This is a situation where A. O. Smith introduced a whole new concept in farming, and where the company created a market which still faces no major direct competition.

A. O. Smith is selling not only a unique product, but a method for customers to earn more profits. Harvestores generally sell for between \$10,000 and \$35,000 per unit and to get a farmer to pay that kind of money requires proof that this investment will pay off in more profits for the farm.

That proof is a key ingredient in the entire marketing effort. First of all, some 30% of Harvestore sales in recent years have been to repeat customers—farmers who were purchasing their second, third or fourth system. Second, Harvestore farmers are generally not shy about telling their stories to others and the company is delighted with numerous testimonials which are a useful and integral part of the marketing program.

Harvestore pioneered several new concepts in agricultural marketing, including tours of Harvestore farms where the prospects pay their own expenses.

In 1971, Harvestore, in cooperation with its dealers, sponsored fifteen Super Tours, where dealers from various parts of the United States and Canada brought prospects to

a central point. Chartered planes and buses were used for transportation. Over 10,000 farmers attended these tours. This particular program was over and above the regular tours which dealers conduct themselves, and the combination resulted in making a major contribution to sales in 1971.

Some 71 full time Harvestore dealers sell Harvestore systems throughout the United States. These dealers employ more than 400 full time salesmen whose dedication in selling Harvestores has helped the company set sales records year after year.

The Harvestore market is growing as the trend to fewer but larger farms continues. More farmers are realizing that they must automate to help offset the effects of high land prices, the scarcity of reliable labor and the increasing cost of labor. A. O. Smith Harvestore systems contribute to helping the farmer solve these problems.

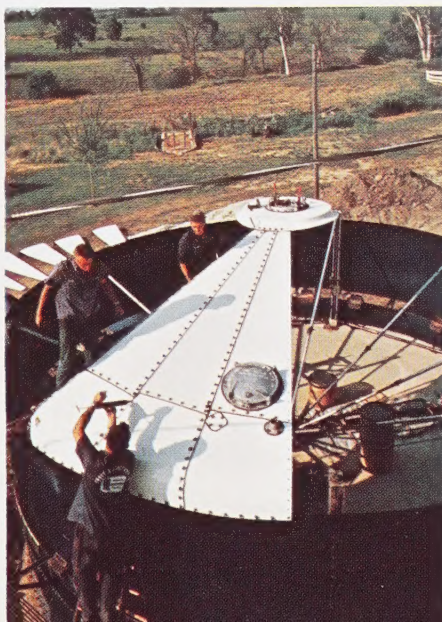
Once a farmer has made the decision to purchase a Harvestore system, AgriStor Credit Corporation, another subsidiary, is available to help him finance it or lend financial counsel if he desires.

All this effort—marketing, product engineering, financing—has combined to produce substantial growth in A. O. Smith's portion of the agricultural market in recent years, while the farm implement market in general has remained static.

Potential Harvestore owners pay expenses on U.S. and European farm tours.



Complete Harvestore structure is erected on the farm by construction crews.



Harvestore systems find their way onto European farms through Howard Harvestore, an affiliate.



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Divisions

Automotive Division

Milwaukee, Wisconsin;
Granite City, Illinois
Passenger automobile frames and structural parts; truck, bus and trailer frames; wheel suspension control arms—

Electric Motor Division

Tipp City, Ohio;
Mount Sterling, Kentucky
Custom engineered motors for manufacturers of air conditioning, heating and commercial refrigeration equipment, domestic dishwashers, home water pumping systems and other specialized products—

Clark Control Division

Cleveland, Ohio;
Lancaster, South Carolina
Clark packaged drives and drive systems for industrial processes; electrical controls for industrial and commercial applications—

Meter Systems Division

Erie, Pennsylvania
Positive displacement and turbine meters with accessories for liquid flow; liquid control valves; static charge measurement and reduction devices; remote electronic and electro-mechanical readout instruments; gasoline pumps; self-service dispensing systems; electronic key and card control fluid handling and data acquisition systems for petroleum loading and fleet fueling—

Consumer Products Division

Kankakee, Illinois;
Stratford, Ontario, Canada
Permaglas® and Glascote® residential and commercial water heaters; Burkay® commercial and industrial water heaters; swimming pool heaters; glass-lined storage tanks; hydronic heating equipment; food waste disposers—

Glass Coating Division

Milwaukee, Wisconsin
Glass coating—

Data Systems Division

Milwaukee, Wisconsin
Data processing services—

Product Service Division

Chicago, Illinois;
Atlanta, Georgia;
Union, New Jersey

Subsidiaries*

Armor Elevator Company, Inc.

New York, New York;
Louisville, Kentucky;
Los Angeles, California

Armor Elevator Canada Limited

Toronto, Ontario, Canada;
Vancouver, British Columbia, Canada
Complete geared, gearless and hydraulic elevator systems; elevator controls and signal systems; elevator door operators and accessories—

A. O. Smith Harvestore Products, Inc.

Arlington Heights, Kankakee and Eureka, Illinois;
Elkhorn, Wisconsin
Harvestore® glass-fused-to-steel farm storage systems; liquid manure handling and utilization systems; automated livestock feeding equipment—

A. O. Smith Meter Systems GmbH

Hamburg, Germany
Petroleum meters; valves; strainers; air eliminators—

Canadian Controllers Ltd.

Scarborough, Ontario, Canada
Clark packaged drives and drive systems for industrial processes; electrical controls for industrial and commercial applications—

Bull Motors Limited

Ipswich, Suffolk, England
Electric motors for elevators, fans and pumps; hermetic motors for the air conditioning and refrigeration industry—

AgriStor Credit Corporation

Milwaukee, Wisconsin
Installment financing—

Affiliates*

Manufacturas Metalicas

Monterrey, S.A.
Monterrey, N.L., Mexico
Truck frames; bumpers for pickup trucks; assembled passenger car frames; automotive stampings—

Tada-Smith Company, Ltd.

Wadayama, Japan
Residential water heaters and glass-lined hot water storage tanks—

A. O. Smith Corporation Of Texas

Houston, Texas
Welded line pipe—

A. O. Smith-Inland Inc.

Powder Metallurgy Division

Milwaukee, Wisconsin
EMP® molding-grade steel powder for precision parts for automotive, appliance and other industries; electrode-grade iron powder—

Reinforced Plastics Division

Little Rock, Arkansas
Silver Thread™, Red Thread®, Green Thread®, Chemline® and Poly Thread® glass fiber reinforced epoxy and vinylester pipe and fittings; glass fiber reinforced electrical and industrial products—

Howard Harvestore Ltd.

Harleston, Norfolk, England
Harvestore livestock feed and storage systems—

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